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World Business Newspaper
FRIDAY FEBRUARY 2 1996

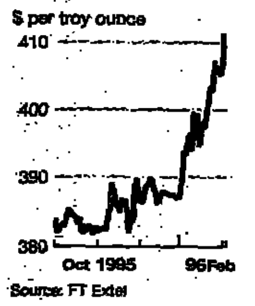
Seychelles law is branded a money launderers' charter

A new law enacted by the Seychelles government has been branded a money launderers' charter. The condemnation came yesterday from the Financial Action Task Force, which includes officials from 26 countries as well as the European Commission. At issue is the Indian Ocean islands' Economic Development Act, which says investors bringing in at least $10m can get immunity from prosecution for all criminal offences. Page 14

Toys "R" Us, the world's biggest toys chain, warned that fourth-quarter and full-year profits would be lower than the previous year's. The company will also take a $270m after-tax, fourth-quarter charge for restructuring, including shutting or franchising 25 stores. Thousands of slow-selling lines will be trimmed from remaining stores as Toys "R" Us tackles the tough competition and poor profits hitting US retailers. Page 15

Sri Lanka bomb toll rises: Police said at least 72 people were killed in Wednesday's truck bomb blast at Colombo's central bank building. Forty of the dead were central bank staff. Sri Lankan leaders acknowledged that the attack could deter foreign investors. Page 7

Gold shines in London and New York:



Source: FT Extel

Speculative investors poured fresh funds into gold futures in New York, while London trade pushed the metal through the $410 barrier. The London gold market was fixed $4.60 higher at the close to $410.20 a troy ounce. Yesterday's price rise was spurred by Canada's Barrick Gold announcement that it was reducing its hedging position by 100 tonnes. Gold has risen steadily since the beginning of the year and traders believe it could go higher still. Page 21

Serbs 'not co-operating': Richard Goldstone, chief prosecutor of the UN war crimes tribunal for the former Yugoslavia, accused Serbia of failing to co-operate. Croatia, under growing pressure to hand over indicted war criminals, is changing a law banning extradition of its citizens in a possible sign of compliance. Sarajevo clears barrier, Page 3

Spain firm on Repsol: Spain's socialist government refused to offer more shares in state oil, gas and chemicals group Repsol despite heavy investor demand. Economy minister, Pedro Solbes, said Repsol was "important and strategic" and a 10 per cent government stake was "very modest". Page 15; Lex, Page 14

French rates cut: The Bank of France reduced the intervention rate – which sets the floor for money market rates – to 4.05 per cent from 4.2 per cent. Page 3; Bundesbank eases rate, Page 2; Lex, Page 14

China rejects piracy claim: Beijing rejected US accusations of intellectual property rights piracy and pointed to successes in a recent crackdown. Officials were reacting to Washington's warning that it could impose sanctions and block Beijing's bid to join the World Trade Organisation unless China delivered on promises to fight copyright infringements.

Vietnam purges 'cultural poison': Vietnamese police dismantled billboards and painted over advertisements for Sony, Kodak and other foreign goods as the government stepped up its campaign against "social evils and cultural sons". Page 14

Premier appointed: Ex-communist Wlodzimierz Cimoszewicz was appointed Poland's new prime minister, replacing Jozef Oleksy, who quit last week amid charges that he had spied for Russia.

Kenya transport chief suspended: Kenya's most senior transport civil servant, Sospeter Arasa, was suspended in a widening government investigation into alleged evasion of customs duties at the port of Mombasa.

Senegal privatisation move: Senegal's parliament gave the green light to privatisation of state telecommunications company Sonatel, with 67 per cent of the shares going to the public. The state will retain a 33 per cent stake in the company.

South Korea goes to Wales: South Korea's first investment in Wales will be announced on Monday. Engineering group Halla is putting about £17m ($25.7m) into a new factory at Merthyr Tydfil in the south of the country. Page 9

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,383.38	(-11.92)
NASDAQ Composite	1,064.74	(+4.95)
Europe and Far East		
CAC40	2,024.09	(+3.06)
DAX	2,459.26	(-10.88)
FT-SE 100	3,752.8	(-6.5)
Nikkei	20,935.12	(+122.38)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.034%
Long Bond	110$\frac{3}{32}$
Yield	6.067%

OTHER RATES

UK: 3-mo Interbank	6¼%	(same)
UK: 10 yr Gilt	107⅛	(106$\frac{29}{32}$)
France: 10 yr OAT	106.11	(106.3)
Germany: 10 yr Bund	100.92	(100.78)
Japan: 10 yr JGB	110.8	(111.069)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.66	(16.46)

GOLD

New York: Comex		
(Apr)	$413.70	(408.5)
London:		
close	$410.55	(405.5)

DOLLAR

New York: lunchtime		
£	1.5145	
DM	1.49895	
FFr	5.1121	
SFr	1.2175	
Y	106.93	
London:		
£	1.5131	(1.511)
DM	1.4933	(1.4879)
FFr	5.1225	(5.1078)
SFr	1.2176	(1.2101)
Y	107.115	(106.915)

STERLING

DM	2.2595	(2.2482)
Tokyo $ close:	Y 107.03	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira80	Spain	Pta250
Czech Rp	K250	Israel	Shk7.50	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£55.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

Compromise choice is third premier in under four years ■ Markets positive

Former bank chief asked to head new Italian government


Antonio Maccanico, in the forefront, leaves President Scalfaro's office after being asked to head the Italian government *Picture Reuter*

By Robert Graham in Rome

President Oscar Luigi Scalfaro yesterday asked Mr Antonio Maccanico, one of Italy's most formidable behind-the-scenes political negotiators, to head the country's 55th postwar government with a commitment to carry out major constitutional reforms.

The choice of the 71-year-old former chairman of Mediobanca, the Milan merchant bank, to be Italy's third premier in less than four years was a last-minute compromise to end a damaging three-week crisis since the resignation of Mr Lamberto Dini on January 12.

Mr Maccanico, who is not an elected politician, ran the prime minister's office in the Ciampi government in 1993-94.

He will now enter talks with political leaders and potential ministers over the next few days to see whether he can form a government capable of lasting some 18 months – the time needed to enact the constitutional reforms.

In consultations with Mr Scalfaro since Mr Dini resigned, the country's main parties pledged to support the introduction of a form of presidential government, as yet poorly defined but modelled on the French system while adapted to Italy's recent tradition of a strong parliamentary system.

His government is likely to be a mixture of technocrats and politicians capable of commanding broad-based parliamentary support.

Despite the enormous difficulties facing Mr Maccanico, the financial markets reacted positively, with the lira gaining against all the main currencies, closing at L1,057 against the D-Mark compared with L1,072 on Wednesday.

"Fundamental for this government is a serious, solid and long-lasting agreement between the various political groups that takes as its point of departure the outline agreements that emerged during the [recent] consultations," Mr Maccanico said after accepting the president's invitation to explore the formation of a government.

"This agreement," he added, "must aim at creating a substantial degree of regional autonomy inspired by federalist principles, combined with a notable strengthening of the powers of the executive via popular election of the head of state, while respecting the traditions of parliamentary democracy."

The premier-designate also promised to give a high priority to tackling Italy's public finances and fighting inflation.

Mr Maccanico's appointment has been endorsed by the Party of the Democratic Left (PDS), the dominant partner in the centre-left alliance, as well as by the entire rightwing coalition headed by former premier Silvio Berlusconi. He will be the first premier-elect since 1946 to seek to form a government with the backing of both the left and right.

The PDS fought hard to retain a second term for Mr Dini, whose future is now unclear. This was vetoed by Mr Gianfranco Fini, leader of the rightwing National Alliance, who demanded a clean break with the Dini administration which was backed only by the centre-left.

It was Mr Fini who insisted that a presidential system of government be at the heart of the debate on constitutional reform. Although he dropped his more extreme demands, he emerged clearly strengthened from this crisis, while retaining his alliance with Mr Berlusconi.

In contrast Mr Massimo D'Alema, the PDS leader, faced sharp criticism within the centre-left alliance for doing a deal with the right.

The programme of the new government has to be put to a vote of confidence in parliament, but this is unlikely to happen for at least two weeks.

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Poland set to sell 49% stake in telecoms group

State move will open up largest market in central Europe

By Christopher Bobinski in Warsaw and Anthony Robinson in London

The Polish government is preparing to privatise up to 49 per cent of state-owned Telekomunikacja Polska (TPSA) in the next two years, according to Mr Andrzej Zielinski, the telecommunications minister.

The country also awarded two mobile telephone licences on the European GSM digital standard worth about $2bn yesterday in a move which will open up further the largest telecoms market in central Europe.

Mr Zielinski said 51 per cent of TPSA would probably stay in state hands with equity sales of the rest taking place in 1997 or 1998. The government had not yet decided whether to offer shares to strategic investors or sell them through the Warsaw stock exchange. He said: "Decisions on the mode of privatisation will certainly be made this year."

A Dutch-Swiss consortium paid $1.45bn for a 27 per cent stake in SPT, the Czech telecoms company, last June while Magyarkom, a US-German consortium paid $852m in December for a further 37 per cent stake in Matav, the Hungarian telecoms group, after paying $875m for an initial 30 per cent stake in 1993.

Both countries have only a quarter of the Polish population: Poland has over 38.5m people, although 40 per cent live in small towns and rural areas, making it less densely populated than the Czech Republic or Hungary.

Last year TPSA reported a net profit of 806m zlotys ($315m) on net sales of 5bn zlotys. The company plans to connect 1m new subscribers this year after adding 721,000 lines in 1995 and 590,300 in 1994. The number of subscribers was 5.7m by the end of 1995.

The government also issued 136 licences mainly to small private operators of local networks. Private operators have only installed about 10,000 lines to date but intend to install 100,000 by the end of this year.

RP Telekom, the largest private operator, in which a local group has linked up with Telia, Sweden's state-owned national operator, plans to put in 350,000 lines in the next three years.

Mr Zielinski said he hoped that up to 1m subscribers would be linked up by privately operated local companies by the end of the century. By then TPSA should have 10m subscribers.

Current telecoms law gives TPSA a monopoly on international connections but allows for privately owned local networks and regional link-ups. The company would keep its monopoly on inter-city connections until at least 1999, Mr Zielinski said.

But competition will come from private operators, which include the listed Optimus company, and the mobile telephone network.

Mobile phone licences, Page 16

Celltech shares drop after asthma drug research halted

By Daniel Green in London

A shiver went through the stock market's biotechnology sector yesterday when Celltech abandoned research on a drug tipped to be its biggest money spinner – a move that cut its share price by almost a quarter.

The drug for asthma sufferers had been on trial since 1993. In the latest tests it was given to 85 patients who responded no better than to drugs already available.

Berkshire-based Celltech and its development partner Merck, the largest US drugs company, said that with no "significant therapeutic advance" it was not worth proceeding with trials.

The drug, code-named CDP 840, was one of Celltech's most advanced. Scheduled for launch at the end of the decade, it had potential annual sales of $500m-$1bn, according to London stockbroker Lehman Brothers.

Its failure reduces the number of advanced drugs in Celltech's portfolio to four.

Celltech shares fell 163p, or 24 per cent, to 518p. Others, such as British Biotech, Scotia and Chiroscience, also fell.

"Milestone" payments to Celltech by Merck, made as the research progressed, have been suspended pending the identification of a "second generation" version of the drug.

Merck has already paid Celltech £7.5m ($11.5m) in a deal that provides for payments of up to £31.5m plus royalties on sales.

Mr Peter Fellner, Celltech's chief executive, said the programme would be delayed by about 18 months.

The falls in share prices mark the first upset for the biotechnology sector after almost a year of good news. Biotechnology shares were among the best performers of the past 12 months. Many share prices more than doubled, while the UK sector's biggest company British Biotech quadrupled in value to more than £1bn.

One analyst said the share falls were "healthy" and a reminder of the risks faced by companies.

Mr Fellner said developing new drugs was risky and failures were always possible. This justified Celltech's strategy of finding pharmaceuticals company partners which pay fees to Celltech in return for marketing rights.

Some others in the sector, including British Biotech, have kept such partnerships to a minimum, preferring to keep the potential profits for themselves.

The high-risk route has led to high rewards for some – California's Amgen is a 16-year-old company which has joined the world top 20 pharmaceuticals companies. It has produced disasters – most notably in the case of Synergen, a Colorado company valued at more than $1bn before its only significant drug, for septic shock, failed in 1994.

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Decline in US index points to economic weakness

By Michael Prowse in Washington

A closely watched index of US manufacturing activity has dropped to levels that have previously signalled recession, figures showed yesterday.

The Purchasing Managers' Index fell from an already weak 46 per cent in December to 44.2 per cent last month, the lowest level since April 1991, when the economy was deep in recession.

The index has been below 50 per cent – the threshold for expansion in manufacturing – for the past six months. Readings below 44.5 per cent typically indicate the whole economy is contracting, although last month's data may have been artificially depressed by unusually cold weather on the east coast.

The reaction on Wall Street was cautious, with share and bond prices down modestly by midday. The Clinton administration maintains that the economic outlook remains encouraging for 1996, an election year.

Separate figures showed little evidence of upward pressure on prices. The Labour Department said consumer prices rose 0.1 per cent in December and by 2.5 per cent on an annual basis. In the final quarter of last year, inflation averaged 2 per cent.

"Recession is now the dominant risk," said Mr David Resler, chief economist at Nomura Securities in New York. He said it was too early to be sure the economy was heading for a sustained contraction, but data were consistent with a cyclical peak late in the fourth quarter of last year.

However, the consensus view on Wall Street is that the US will avoid recession this year.

Growth is seen as having slowed temporarily to an annualised rate of about 1.5 per cent and is expected to rebound within a few months.

On Wednesday, the Federal Reserve signalled its concern about deteriorating growth prospects by cutting short-term

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NEWS: EUROPE

Camdessus visit raises Russia's hopes of loan

With politics driving the process, no one at the IMF wants to lose Russia

Mr Michel Camdessus, head of the International Monetary Fund, is reported to be planning to visit Moscow later this month, heightening expectations that the IMF will grant Russia a $9bn loan sometime this spring.

The Russian news agency Itar-Tass, which often acts as mouthpiece for the Russian government, said yesterday that Mr Camdessus, who met Mr Victor Chernomyrdin, the Russian premier, this week in Washington, would come to Moscow in the second half of February.

IMF officials in Moscow would not confirm the report, but the quasi-official announcement was the latest in a number of strong signals over the past few days that Russia and the Fund will soon reach a deal.

Earlier this week, US president Bill Clinton predicted that Russia would receive the three-year loan this spring and Russian authorities said on Wednesday they had reached a "broad agreement" on an economic programme with the IMF.

Yet despite these strong indications of progress, the IMF's negotiations with Moscow are taking place against an increasingly hostile domestic political and economic backdrop.

Since the beginning of the year Mr Boris Yeltsin, the Russian president, has systematically purged reformers from his government and replaced them with hardliners.

Most dramatically, he sacked Mr Anatoly Chubais, the most prominent market reformer in the cabinet, on the day an IMF team arrived in Moscow for talks.

Mr Yeltsin followed these personnel changes with an equally sharp substantive shift, making a series of new spending pledges last week which, if fully implemented, could add at least $12bn to planned government spending this year.

But regardless of the mounting evidence that the Kremlin, which fears a Communist victory in June presidential elections, plans a spring spending spree which could boost inflation and weaken the rouble, most analysts believe that political pressures will compel the IMF to grant Russia a new loan.

"Above all, it is politics that is driving the process," said Mr Jonathan Hoffman, chief economist at CS First Boston. "Everything points to a favourable IMF decision. No one in the IMF or in the G7 wants to be accused of losing Russia."

Michel Camdessus (left) with Russian prime minister Victor Chernomyrdin, on a visit to Moscow last year which led to a controversial decision to grant Russia a $6.25bn loan AP

One measure of the IMF's eagerness to back Mr Yeltsin and his campaign bid is the fund's willingness to countenance high spending in the first half of this year, during the election campaign.

"Unlike other IMF programmes, the Russian programme is designed to accommodate a certain amount of pre-election spending," said Mr Jochen Wermuth, a western economist who works in the Russian finance ministry. "It is different from earlier Russian IMF programmes, where you squeeze spending in the first half of the year and then let go a little."

But Russian and western economists said the IMF would also seek to impose some tough conditions on Moscow. The fund has set out a number of actions which the Russian government must undertake before it receives the loan. These include reversing presidential decrees which could restrict trade, and maintaining tight fiscal and monetary policies.

Russia's leading reformers have urged the IMF to be tough with the Kremlin and grant a loan only if the government continues last year's reform policies. Even Mr Chubais, who has refrained from public criticism of the government despite the harsh manner in which he was dismissed, warned yesterday that it was not yet clear if Russia would continue to pursue reforms or if the government would reverse its course.

But for Mr Yeltsin, the report that Mr Camdessus is coming to town was the best possible omen. It was a personal visit to Moscow from the IMF boss last year which cleared the way for the fund's equally controversial decision to grant Russia a $6.25bn loan.

Chrystia Freeland

Aid deal for Jaguar could embarrass London

By Emma Tucker in Brussels and John Griffiths in London

The British government and the European Commission yesterday nudged closer to agreement on a state aid package for Jaguar, the luxury car maker, following a meeting between Mr Nick Scheele, the chairman of Jaguar, and Mr Karel Van Miert, the competition commissioner.

Conclusion of a deal, while welcome, would come at an embarrassing time for the UK government, which this week unleashed a furious attack on the Commission for approving a Pta87bn ($713m) state aid package to Iberia, the Spanish national airline.

Officials said the two sides had whittled down the gap between the £80m ($123m) the UK government is asking for, and what Brussels is prepared to approve, to an almost mutually acceptable level.

Mr Scheele last night described the meeting as "helpful". He said: "The Commission now fully understands both the timing and the totality of the programme and is in full possession of all the facts needed to make a decision." He indicated that he expected it to come within the next three to four weeks.

A British official confirmed: "We are close to a conclusion. We have not wholly bridged the gap between what we want and what the Commission will approve, but the gap is much smaller than it was yesterday."

The British government argues that the £80m will enable Ford, owner of the Midlands-based car maker, to manufacture the new X200 Jaguar sports saloon in the UK rather than in the US.

Discussions between Brussels and the British government have been knotty, mainly because of the complexity of the deal. The core of the £80m package is £48m in regional assistance which throws up relatively few problems for the competition officials examining the case.

The problem – and the reason negotiations have lasted more than eight months – concerns the rest of the aid, consisting of smaller schemes covering diverse areas, including plans to reclaim derelict land in the West Midlands, training programmes, and local environmental improvements.

"The problem for the Commission has been looking at all these schemes and trying to assess whether they have any effect on production costs," said a Brussels official. The Commission wants to be sure they do not lower prices, before approving the aid.

Negotiations on the aid package also went through an awkward patch at the end of last year, when the UK government tried to block state aid for Irish Steel.

Would market investors put Pta87bn in Iberia?

Michael Skapinker on Brussels controversy over the Spanish airline

Airlines, financial analysts and consumer groups yesterday heaped scorn on the European Commission's assertion that private investors would have been prepared to invest large sums in Iberia, the Spanish airline. The Commission said this week it had decided to allow Iberia to receive a subsidy of about Pta87bn ($710m), but that this should not be regarded as state aid. The Commission said the investment was justified on the "market investor principle". This meant private investors would have been prepared to back Iberia in the same way.

Mr John Parr, director general of the Air Transport Users' Council, a UK consumers' body, said: "If this is being done on the market investor principle, where are the private investors? Why isn't Iberia being privatised?"

The Commission justified its decision by saying that the sale of businesses by Iberia reduced the likelihood that it would make damaging future losses. The airline is selling its holding in Aerolinas Argentinas.

Iberia has pledged that, by 1999, it will have 28 per cent fewer workers than it had in 1991. Its fleet size will be reduced to 104 aircraft in 1997 from 120 in 1993.

Airline analysts said they had not yet seen the consultants' report on Iberia, which formed the basis for the Commission's decision.

But they found it hard to see how the Commission would justify the market investor principle.

Mr Chris Avery, aviation analyst at Paribas Capital Markets, said: "I couldn't conceive of recommending to my clients that they put money into Iberia. It's simply not on a stable enough footing. You would want to be convinced that Iberia had been turned around from being a capital eater to at least being capital neutral."

Mr Neil Kinnock, EU transport commissioner, pointed out that the amount Iberia is being permitted was far less than the Pta130bn originally requested – although the airline will be allowed to receive Pta20bn more next year if it can show improvements in its financial performance.

Mr Charles Donald, European airlines analyst at UBS, said one way to evaluate the Commission's decision was to imagine a privately owned airline seeking a similar sum through a rights issue.

"If KLM, British Airways or Lufthansa launched a rights issue of £460m ($710m), they would probably be capable of carrying it off. But that would require everyone to be convinced of the next three to four years of profitability. And I would say that they are the only three airlines in Europe at the moment that could raise that sum of money from private investors."

But he said that to compare Iberia's cash injection with what private-sector carriers could raise privately did not take account of the different size of the airlines being compared.

BA and Lufthansa in 1994 each managed about 11bn scheduled tonne kilometres – a measure of the passengers and freight they carried. The Iberia figure was 2.7bn, according to the International Air Transport Association.

By this measure, Iberia is a quarter of the size of BA and Lufthansa. To evaluate how likely Iberia would be to be able to raise Pta87bn privately, one would have to think of the reaction of private investors were BA or Lufthansa to approach them, not for the same amount, but for a sum four times as large. For BA, this would mean launching a rights issue for £1.8bn – a sum equivalent to over one third of its market capitalisation of £5bn.

Analysts say that even this is to adopt a charitable view of Iberia's attractiveness to investors because it assumes that each of the Spanish carrier's passenger tonne kilometres is as profitable as those of BA and Lufthansa, which is far from being the case.

Mr Tim Jeans, commercial director of Ryanair, a privately-owned Irish airline, argues that allowing Iberia to receive the capital injection could also have the effect of preventing private investment going into competing, smaller airlines.

Mr Jeans says it is no coincidence that in the UK, where all carriers are privately owned, there is a thriving independent airline sector. By contrast, in countries such as France, Portugal and Greece, where state aid to national carriers has been allowed, independent airlines find it difficult to succeed.

PM emerges from behind the scenes

Italy's new leader must look for a new constitution, writes **Robert Graham** in Rome

For the third time in less than four years, Italy's President Oscar Luigi Scalfaro has been obliged to resolve a serious political crisis by calling upon a non-elected figure to form a government.

In each case, the choice has been dictated by the need to find a prestigious neutral figure enjoying the broadest possible approval.

After twice recruiting from the Bank of Italy for the Ciampi and Dini governments, Mr Scalfaro has turned to the thin ranks of the state's senior servants to ask 71-year-old Antonio Maccanico to be premier-designate.

Mr Maccanico is little known in public, but within the Italian political and economic establishment his name is a byword as a behind-the-scenes negotiator. He knows the bureaucracy and parliament backwards after a lifetime close to the centres of power.

His last post was running the prime minister's office under the Ciampi government in 1993-94, when he proved an effective policy co-ordinator.

Mr Maccanico's ministerial experience has been limited to the regional affairs portfolio in the twilight of the Christian Democrats' 1988-91 hegemony. Before that, he supervised the presidential office under Sandro Pertini and Francesco Cossiga, having been the secretary-general of the chamber of deputies.

Throughout his life he has been close to the small Republican party and was elected a senator under their banner in the 1992-94 legislature. His lawyer's training and intimate knowledge of the constitution should serve him well in the delicate negotiations to introduce an overhaul of the state, which was the basis of yesterday's political deal to end the government crisis.

He also enjoys important contacts in the world of big business and finance as he was chairman in 1987-88 of Mediobanca, the powerful Milan merchant bank. But above all it will be his skill in bringing warring parties together that will be most in demand in what promises to be an exacting task.

His ministerial team will have to please all the main political factions on the left and the right. Then he must produce a programme, including tough budgetary proposals, that satisfies the parties.

The agreement patched together by the main parties was achieved with Mr Scalfaro unable to delay formation of a new government any longer. But the motives of the leaders are far from lofty.

In the three weeks since Mr Lamberto Dini resigned as premier, they have embraced and discarded virtually every model of western democracy, settling eventually for an ill-defined version of France's presidential system adapted to the peculiar needs of Italy. The parties differ substantially over what the final constitutional product should be.

The Party of the Democratic Left (PDS) has belatedly accepted the principle of a directly elected president, but with weak powers and offset by a strong parliament elected via a majority vote on a French style run-off. Parliament would chose the premier. The rightwing coalition, especially Mr Gianfranco Fini, National Alliance leader, wants a strong head of state to choose the premier.

The only glue to keep the new government together will be the fact that Mr Massimo D'Alema, the PDS leader, and former premier Silvio Berlusconi fear going to the polls. But delaying elections for 18 months casts a cloud over Mr Romano Prodi's leadership of the centre-left coalition. He has been excluded from negotiations on the new government.

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Italy freezes tariffs on utilities

By Robert Graham in Rome

Italy's outgoing government has agreed to freeze all proposed utility tariff increases, in response to pressure from unions and consumer groups.

The freeze is indefinite and follows a meeting between the government and union leaders on Wednesday. The unions insisted increases ranging from higher rail and air fares to water charges, electricity and sharp rises in local telephone calls were unjustified.

Confindustria, the employers' confederation, yesterday criticised the government for giving way to union pressure and at the same time hoped the freeze would be brief. The real problem, it said, was the absence of regulatory authorities. It would have been more useful to accelerate the creation of these bodies than to rely on regulating prices, Confindustria claimed.

Leaders of the three main trades union confederations argued the utilities had failed to prove enough had been done to curb costs as earnings declined in real terms by two percentage points in two years. Their case was also backed up by an unprecedented wave of protests over the past month by consumer groups. Against this background the government had no desire to provoke a confrontation and will hand the problem over to the next administration.

The price rises frozen are: a request for a 4 per cent increase in domestic (Alitalia) air fares; rises in rail fares, up to 10 per cent on some routes; a minimum 3.5 per cent increase in water bills; a 2.6 per cent rise in motorway tolls; and a complex realignment of telephone charges, as a result of which local calls will go up 16.8 per cent. The increases in road tolls and water charges should have come into force yesterday.

Talks at Air France break down

Negotiations between Air France's chairman, Mr Christian Blanc, and unions representing pilots at Air France Europe, formerly known as Air Inter, broke down yesterday, Paul Abrahams writes. Air France said differences between the two sides – in a dispute over cost-cutting which caused a series of strikes last year – remained so great that no agreement could be reached.

Mr Blanc has been looking to reduce pilot costs – about FFr900m a year – by about 10 per cent. In 1994, the last year when figures have been published, Air France Europe pilots' average salaries were FFr72,560 ($14,630) a month, far higher than those of British Airways or Lufthansa pilots.

Mr Blanc has been looking to reduce pilot costs as part of a *plan to improve Air France* Europe's productivity by 30 per cent between 1995 and 1997 to return it to profitability. He said the airline would announce its next move soon, probably next week.

Air France Europe is facing pressure from increasingly aggressive local competitors such as AOM, Air Liberté and TAT, in which British Airways holds a 49 per cent stake. While it struggles with a stagnant domestic market, it must also prepare for full liberalisation in 1997. The group is expected to make a loss of FFr500m in 1995, despite low fuel costs.

EUROPEAN NEWS DIGEST

Bundesbank in new rate easing

The Bundesbank yesterday cut the repo rate, considered to be the third leading interest rate in Germany, in another sign of monetary easing that partly reflects the current weakness in the German economy.

At its council meeting yesterday, the German central bank left its two key interest rates unchanged, but decided to switch from a variable tender in its money market operations, which this week yielded a repo rate of 3.4 per cent, to a fixed rate tender at a rate of 3.3 per cent for the next two weeks until the next council meeting.

The move brings the repo rate within 30 basis points of the discount rate – currently at 3 per cent – a threshold below which the likelihood of another discount rate cut increases. Whether the Bundesbank will lower interest rates further will depend to some degree on the next release of M3 money supply data this month.

German financial markets appear to accept that another interest rate cut is probable within the next four weeks. Yesterday's action was seen as a move by the Bundesbank to keep its options open. *Wolfgang Münchau, Frankfurt*

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Over 1m miners strike in CIS

More than 1m miners went on strike yesterday in Russia and Ukraine in separate protests but on the same issue – the failure of their Commonwealth of Independent States governments to make payments of wage arrears.

Up to 500,000 Russian coalminers launched a nationwide strike yesterday which they threatened to continue today to demand payment of months of wage arrears. Russian union leaders, who said miners at 161 pits and 32 open cast mines were taking action, claim the government owes the coal sector Rbs1,000bn $212m.

Ukrainian miners yesterday began an indefinite nationwide strike, also to force the government to pay back wages and benefits.

The Ukrainian coalminers' strike committee said yesterday that workers at 213 of 238 pits stopped worked or refused to load coal, with about 600,000 miners taking part. They also said coal imports from Poland were halted at the border. However, a ministerial spokesman for the coal industry told Interfax-Ukraine that only 86 mines were on strike. Ukraine's financially strapped government owes miners 78,000bn karbovanets (about $43m) in back wages, with many miners claiming not to have received their salaries in six months.
Matthew Kaminski, Kiev, and Chrystia Freeland, Moscow

Slovenia government in minority

Slovenia's coalition government yesterday lost its absolute majority in parliament with the resignation of Dr Maks Tajnikar, economics minister, and the formal departure from the coalition of the Associated List of Social Democrats, the successor to the Communist party.

The two remaining coalition parties, Liberal Democracy of Slovenia and the Slovene Christian Democrats, control 45 seats in the country's 90-seat lower chamber. The Associated List has 14 seats. Three other ministers belonging to the Associated List tendered their resignations last week.

Dr Tajnikar has been under pressure to quit since last November because of criticism of his handling of the restructuring of TAM, the troubled bus and truck manufacturer that was taken into state hands last year. The new minister is Mr Metod Dragonja, a career industrialist and director of Lek, a pharmaceutical company.

The Associated List's move into opposition signals a shift to the right in Slovenian politics, and analysts say it also raises the chance that elections, which must be by the end of the year, will be brought forward. *Gavin Gray, Zagreb*

EIB's lending rises 7.5 per cent

The European Investment Bank raised lending by 7.5 per cent in 1995 to Ecu21.4bn ($27.2bn), Sir Brian Unwin, EIB chairman, announced yesterday.

Around Ecu18.6bn in loans was made inside the EU. The Bank also expanded its global reach, dispensing loans in South Africa, Gaza and the West Bank and, for the first time, China and Indonesia. Other high-priority projects included the trans-European networks – road, rail, and telecommunications ventures to which the Bank raised total lending to Ecu7.3bn. The EIB is also offering a special new lending instrument – called a TENS window – which provides lengthening maturities and grace periods.

In 1995, the bank lent Ecu2.9bn to 12,000 small and medium-sized businesses, creating an estimated 45,000 jobs. It raised Ecu12.4bn in medium- and long-term borrowing on the capital markets – a lower amount than in 1994 because of substantial pre-payments on loans. *Lionel Barber, Brussels*

Bonn warned on high-speed train

The Transrapid, the 450kph magnetic levitation railway which the German government plans to build between Hamburg and Berlin, came under fire from the German audit commission yesterday.

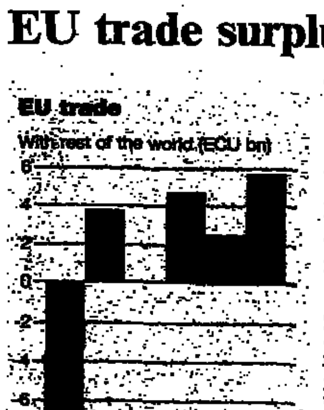
The commission said there were likely to be unspecified cost overruns on the DM8.8bn ($6.1bn) project and urged the government to carry out further studies to assess demand for the system. The report criticises the government for underestimating the costs of incorporating the Transrapid, which runs on an elevated concrete runway, into the existing railway networks in Hamburg and Berlin.

The opposition Social Democrats called the project "a monstrous adventure" which was being undertaken mostly at the expense of the taxpayer.

More details are expected to emerge at a hearing of the parliamentary transport committee next Thursday. The Transrapid has the personal blessing of Chancellor Helmut Kohl, who regards it as a model of German innovation and argues that there are likely to be significant exports from the project. Japan is working on similar magnetic levitation technology, but German engineers say the Japanese are about three or four years behind. *Michael Lindemann, Bonn*

ECONOMIC WATCH

EU trade surplus increases



The European Union turned a first half 1994 external trade deficit of Ecu2.9bn ($3.7bn) into a surplus of Ecu8.4bn in the first half of 1995. The six-month surplus was more than four times larger than the Ecu2bn surplus generated in the whole of 1994.

Germany, France, Italy, Sweden, Finland, Austria, Denmark and Ireland all recorded trade surpluses with non-EU countries in the first half of 1995, said Eurostat, the European Commission's statistics office. The German surplus was Ecu12.1bn, followed by France with Ecu7.2bn, Italy with Ecu5.4bn, Sweden Ecu4.2bn, Finland Ecu2.6bn, Austria Ecu1.8bn, Denmark Ecu1.5bn and Ireland Ecu37m. The Dutch had the largest deficit in trade with non-EU nations at Ecu11.1bn, but the figure is distorted by the large volume of goods flowing through the country's ports. Britain, which cannot claim trade distortions to anything like the same extent, ran up a deficit of Ecu9.6bn in the first half of 1995. Spain had a deficit of Ecu2.2bn, followed by Portugal with Ecu1.6bn, Greece Ecu1.3bn and Belgium and Luxembourg combined with a deficit of Ecu674m. *Reuter, Luxembourg*

■ Norwegian unemployment rose to 4.8 per cent in January from 4.1 per cent in December.

French rate cut cheers government

By Andrew Jack in Paris

The Bank of France yesterday lowered one of its key interest rates after cuts by the monetary authorities in the US and Germany. The move was welcomed by the French government as it tries to boost the economy.

The bank cut the floor intervention rate by 0.15 points to 4.05 per cent, the eighth reduction in rates since the crisis in the French franc in November last year.

Separately, a number of French banks yesterday announced cuts in their rates for consumer loans, which are subject to new tax deductions unveiled this week. This move followed cuts in the rates offered on a key government tax-free savings product on Tuesday.

While the bank is independent from the government, ministers had long called for interest rate cuts, and echoed broader concerns by the G7 group of leading global economies meeting earlier this month that interest rates needed to come down to help boost growth.

Mr Jean Arthuis, the economics and finance minister, unveiled a series of measures on Tuesday to raise levels of consumption and stimulate the housing market. The initiatives came on the same day as a broader series of structural reforms announced by the German government.

Mr Alain Juppé, the prime minister, said the Bank's decision marked the return of "international confidence in France" which had maintained its commitment to budgetary rigour.

The latest interest rate cut followed positive comments recently from Mr Jean-Claude Trichet, governor of the central bank, about the direction French government reform policy was taking.

However, the fallout from the government's new measures continued yesterday. The high street banks had demanded a cut in the Livret tax-free savings products offered by the government before agreeing to reduce their lending rates. Mr Arthuis did so on Tuesday, reducing it by 1 per cent to 3.5 per cent.

Crédit Mutuel de Bretagne, part of the network that offers the Livret Bleu, one such product, criticised the move. Mr Georges Coudray, said the cut was "too strong and too brutal".

The Post Office, the national savings bank and Crédit Mutuel previously had the exclusive right to offer Livret products. However, their strength on the savings market has been considerably weakened as a result of the interest rate cut, because the products have become less attractive.

Spain's economy minister enters poll fray

Pedro Solbes: challenged Popular party's plans for lower taxes

By David White in Madrid

Mr Pedro Solbes, Spain's economy minister, yesterday claimed that tax cuts proposed by the centre-right Popular party could jeopardise the country's chances of joining the European single currency.

As the main parties put the final touches to their programmes for the general election on March 3, he challenged the Popular party's argument that lower tax rates would result in an increase in government revenue by discouraging evasion.

Lower taxes would bring a greater risk of missing the target for the budget deficit next year, the reference period for deciding which countries qualify for the single currency, he told a press conference.

The Popular party, which is also committed to meeting the single-currency criteria, has proposed a gradual tax reform which would bring the top rate of income tax down from 56 per cent to 40 per cent by the end of a four-year term. It also proposes to change the tax system for small and medium-sized companies to encourage growth and employment.

Mr Solbes said that opposition plans for lower taxes would bring a greater risk of missing Maastricht treaty targets

Mr Solbes, who is standing for parliament for the first time after joining the Socialist government as an independent, said the Socialist party's triple economic platform of increased employment, maintenance of welfare benefits and membership of economic and monetary union was "possible and coherent".

He estimated that Spain would need spending cuts of Pta350bn ($2.8bn) in its 1997 budget to meet the deficit target of 3 per cent of GDP – assuming annual economic growth of 3 per cent. The government stands by a forecast of 3.4 per cent growth this year, higher than most estimates. Last December the government announced spending cuts of Pta874bn to bring its 1996 plans into line, after having its original budget rejected in parliament.

The final version of the Socialist programme, due out today, will propose limiting tax deductions on house purchases to boost the rental sector, and an easing of the tax burden on inherited homes and businesses. Mr Joaquín Almunia, the party's parliamentary leader, said a lower top tax rate of 50 per cent might be possible, but not until after Spain had met the Maastricht criteria for Emu.

Sarajevo clears one more barrier to peace

By Harriet Martin in Sarajevo

The symbol of Sarajevo's division, the wall of sandbags and concrete slabs across the city's pointedly named Brotherhood and Unity Bridge, was bulldozed yesterday. The Bosnian capital thus moved a tentative step closer to securing the peace.

Tomorrow, the Serb-held suburb of Grbavica – which is linked to the city by this bridge – comes under Bosnian federation control as part of the Dayton peace agreement to unify Sarajevo. The civilian authorities and police in Grbavica, along with those in four other Serb-held suburbs, are allowed to stay for 45 more days, during which time they are answerable to the federation.

As Nato's huge French bulldozers crushed the carefully constructed barriers of concrete, sandbags and barbed wire, crowds of people watched at each end, waiting to cross. Then the wall was pushed aside, and they stared across the span at each other. A group of Serb and Bosnian policemen gathered on the middle of the bridge watching the French troops at work. Slowly they began to talk, first about the dead, then about football. Hesitantly, they laughed.

Groups of old ladies, flourishing their identity cards, carefully made their way across the 50m stretch of no-man's land. Men of military age from either side did not yet dare to make the crossing.

Across the Miljacka river in Grbavica, a grim area of grey concrete tower blocks, Ognjen Jokanovic, in her 70s, was standing clutching her sister, Ulfeta.

"I heard this morning on the radio that the bridge was open. I knew my sister was ill. I just rushed out of my apartment. I didn't tell my husband and I even forgot to put my teeth in," she said, flashing a gummy grin.

They had seen each other only once during the war, in the spring of 1994 when the bridge was opened briefly.

But just feet away from the reunited sisters, a middle-aged man was angrily loading household furniture on to a truck already laden with logs.

Grbavica is full of cars and trucks precariously piled with the contents of people's homes. For many Serbs in these areas the reunification of Sarajevo marks their defeat.

"Where do you think I'm going? To Serb land of course," shouted the man. "I'd rather live in a tent than live with Moslems."

Paris-Bordeaux: it's the Juppé à grande vitesse

David Buchan on a mayoral PM

Juppé: two camps to please

In Bordeaux, even some of Mr Alain Juppé's supporters say privately they would not mind him losing his job as prime minister – so that he could devote more time and attention to his other job as mayor of their city.

France's practice of *cumul des mandats*, which allows politicians to hold two and sometimes three elected posts at the same time, is gradually growing more controversial, as running the country and its cities becomes more time-consuming.

Mr Juppé is in Bordeaux most weekends, holding city council meetings on a Friday or a Monday and carrying out a whirlwind of public engagements to be seen by the *Bordelais* as much as possible. With Mr Juppe's energy – and mobile phones – much can be accomplished, his Bordeaux aides point out; Bordeaux business can be done in Paris and vice versa.

But Mr Juppé's best is not good enough for the 48 per cent of *Bordelais* who, according to a mid-January poll in the Sud-Ouest newspaper, pronounced themselves dissatisfied with their mayor.

Under the Fifth Republic, two other prime ministers were also mayors of big cities – the Gaullist Mr Jacques Chaban-Delmas in Bordeaux and the Socialist Mr Pierre Mauroy in Lille. But both were established in their cities before they became prime minister, while as Mr Gilles Savary, the socialist leader in Bordeaux, points out: "Mr Juppé has had to install himself in Bordeaux at the same time as holding a difficult prime ministership."

In December those national difficulties spilled over into Bordeaux. Like every other large French city, it saw large demonstrations against the Juppé welfare and railway reforms. The marchers had to pick their way around piles of rubbish which municipal workers refused for nearly three weeks to collect – until Mr Juppé cancelled an outside contract for the collection of glass and returned the work to municipal collectors.

But most of the Bordeaux business community still believes Mr Juppé's presence is an asset. Two years ago it was a group of business leaders who appealed for a national politician with local connections – a thinly veiled reference to Mr Juppé, who comes from Mont-de-Marsan in the nearby forests of the Landes – to take over as mayor from the aged Mr Chaban-Delmas.

"The idea was to have another Chaban in his heyday," explains Mr Dominique Babin, chief executive of the Bordeaux Chamber of Commerce and Industry, adding that towards the end of Mr Chaban-Delmas's incredible 47-year mayoral reign "Bordeaux went to sleep a bit".

Just as it was Mr Chaban-Delmas who first persuaded the late Henry Ford to put a gearbox plant in Bordeaux, Mr Juppé last autumn convinced the Detroit company to sink a further $300m into the plant.

Mr Savary concedes that the prime minister's intervention was "decisive", though he complains that Ford only committed itself to preserving jobs, rather than creating them. Mr Babin claims the prime ministerial presence is drawing other foreign investors, such as Siasa of Spain, which plans to set up a paper plant nearby.

Mr Juppé has more time to reform the city's finances than he has with the country's, though the two are comparable. Bordeaux has relatively high debt, high taxes and large investment needs.

The only typically Juppé-esque action so far was when he first abruptly sacked for alleged financial profligacy Mr Alain Lombard, who as the city's orchestra conductor and theatre director drew a combined salary of FFr320,000 ($64,500) a month, then gave him a golden handshake to avoid being taken to court for breach of contract.

Mr Juppé's move to jazz up the city by illuminating buildings has proved popular, perhaps partly because state-owned Electricité de France seems to be providing initial current virtually free. But it remains for Mr Juppé to make up for delays in deciding how to clean up the banks of the Garonne river and give the city a proper mass transit system.

In theory, Mr Juppé has time to develop Bordeaux as his safety net if and when he falls from the premiership. He does not face re-election as mayor until 2001. He also intends to abandon his Paris constituency and seek the Bordeaux parliamentary seat of the retiring Mr Chaban-Delmas.

TTNet to expand its business

NTT to face long-distance competition

By Michiyo Nakamoto in Tokyo

Japan's telecommunications market is set to see more competition as a result of plans by a new carrier to invest heavily in its infrastructure.

Plans by Tokyo Telecommunication Network (TTNet), a regional carrier, to expand its telecommunications business significantly could for the first time in the local network create serious competition for NTT, Japan's largest carrier.

The decision by TTNet, jointly owned by Tokyo Electric Power and the Mitsui and Mitsubishi trading companies, reflects the changes taking place in the Japanese telecoms market as deregulatory moves and public criticism of the country's high telecoms charges lead to a more competitive environment.

NTT's virtual monopoly of the local network has long been criticised as an obstacle to greater competition and is the subject of a government panel which is due to report by the end of this month on whether NTT should be broken up to break its dominance.

TTNet, which began offering private leased line services in 1986 using the electricity infrastructure of Tokyo Electric Power, has provided public telecoms services in eastern Japan, including Tokyo, for the past seven years.

However, its lack of a direct link into customers' homes meant that potential subscribers were more often than not discouraged by the high initial cost of signing up with TTNet, even though its call charges were lower than those of NTT. Customers would have to pay for a line to be laid from a local TTNet switching station.

The carrier said using NTT's lines to reach subscribers' homes was not a practical solution. NTT, which has a virtual monopoly over the local network, has been criticised by other carriers for its reluctance to provide them with fair access to its local network.

The lack of a direct link into customers' homes meant TTNet was only able to win 19,000 subscriptions in seven years.

However, in response to rising calls to break up NTT and stimulate competition, NTT announced last year that it was prepared to provide anyone with fair access to its local network. At the same time, deregulatory measures announced by the Ministry of Posts and Telecommunications have made it much more attractive for TTNet to build up its long-distance network.

In the past, regional carriers such as TTNet were in practice restricted to doing business in a particular region. The ministry recently stated, however, that carriers would not be restricted to particular businesses, with the exception for the time being of NTT and KDD, the international carrier.

TTNet is therefore considering tying up with other regional carriers to provide long-distance services at lower rates than currently possible, the company said.

"They're in a great position to offer competition given that they already have an optic fibre network," said Mr Barry Dargan, industry analyst at S G Warburg in Tokyo.

TTNet's investment in infrastructure would go mainly towards laying optic fibre cable from NTT's switching stations to its own stations and increasing the number of its switches.

HK's reluctant candidate

Simon Holberton on China's apparent choice as chief executive

Chinese sensitivity to the symbolic language of politics has been heightened in Hong Kong now that speculation is rife about who will be its first chief executive, as the post-colonial governor will be known.

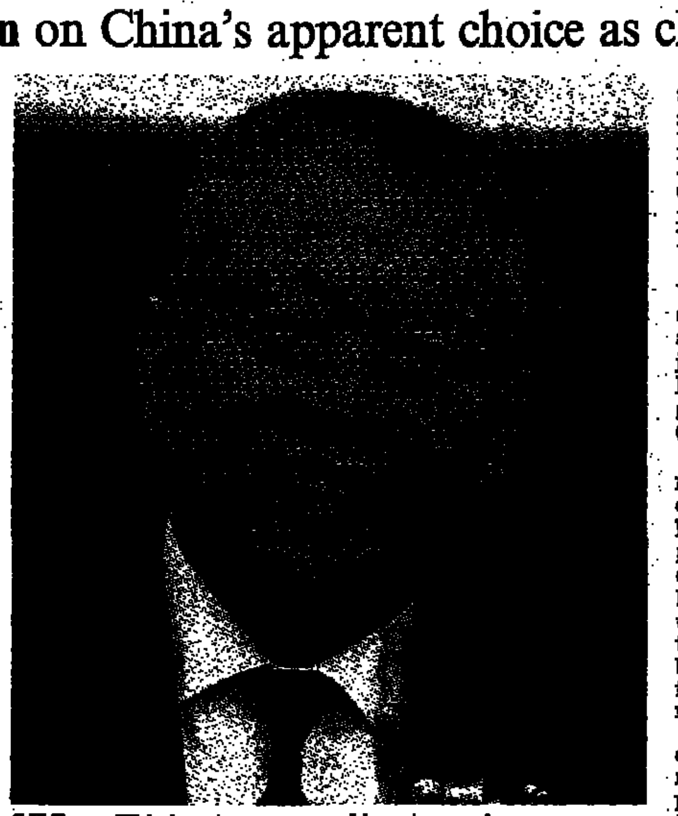
So when Mr Jiang Zemin, China's head of state and the Communist party, made for Mr Tung Chee-hwa, a Hong Kong shipping tycoon, at the end of a ceremony marking last week's inauguration of the group which will oversee the final stages of the colony's transfer to China, many in Hong Kong thought they were witnessing something akin to a benediction.

As if to underline the message, the encounter was given prime play on Chinese state television as part of its lavish coverage of the establishment of the preparatory committee, as the group is called. Mr Tung, 58, is a vice-chairman of the committee.

Hong Kong reverts to Chinese sovereignty in less than 18 months and one of the big decisions the Chinese leadership has to make is who will lead the "special administrative region" in its first years. "What those guys in Beijing will be deciding is who is going to run the richest city in China," said one senior British official. "It is big patronage, very big patronage."

Mr Tung, an industrialist who normally shuns the limelight, is the candidate who garners the most support among Hong Kong élites in business and government. One member of the preparatory committee observed this week: "He is somewhat unknown to the people of Hong Kong but since his name has been mentioned there have been no negative reports about him."

But his candidacy is far from assured. The post of chief executive may not be finally decided until later in the year, and that would give a lot of time for Mr Tung's rivals to try to discredit him. Other candidates will also drift across the stage.



C H Tung: 'This is patronage, very big patronage'

Moreover, his own preparedness to serve is also not guaranteed. He is a reluctant participant in politics; Governor Chris Patten had to use all his powers of persuasion to get him to join his Executive Council in 1992. More importantly, Mr Tung has told friends that he does not want the chief executive's post.

He says that having spent most of the 1980s bringing his family shipping business, Orient Overseas International Limited (OOIL), back from the brink of collapse, he now wants time to manage what has become a successful business. Lurking in the back of his mind is also a concern about management succession at OOIL, which under his direction now confidently rubs shoulders with the world's best shipping groups.

However, if Mr Jiang were to ask him to serve, few think that Mr Tung would be able to resist the call. Observers also note his reluctance to take the post may strengthen his hand when it comes to the inevitable negotiation with Beijing about his powers in Hong Kong and his relationship with the central government.

Mr Tung was born in Shanghai where his family was very much a prime part of the city's commercial and social life. His father, C Y Tung, whom he revered, was by then a budding shipping magnate close to the Kuomingtang (KMT) government of Chiang Kai-shek.

This association survived Chiang's flight to Taiwan, but was not strong enough to endure the strains generated by the near insolvency in the mid-1980s of the Tung shipping empire. Mr C Y Tung, who died in 1982, had been a central committee member of the KMT and, given that relationship, Taipei might have been expected to help out when Mr Tung's family company got into difficulties.

That was not to be. In 1985, companies controlled by the Tung family owed creditors nearly $2.7bn (£1.8bn). Beijing's state-owned Bank of China stepped forward with bridging loans, as did Mr Henry Fok – a Hong Kong businessman with close ties with China's Communist leadership – and Hongkong and Shanghai Bank.

Three weeks ago Mr Fok, 73, who is another vice chairman of the preparatory committee as well as being one of Beijing's most trusted advisers in Hong Kong, in a rare gesture gave his public support to Mr C H Tung's candidacy.

The other Hong Kong businessman he is next most closely associated with is Mr Li Ka-shing, the property and ports tycoon. Mr Li used to oppose the appointment of a businessman to the chief executive's job – on the grounds that any businessman would be likely to favour his own family's interests – has recently endorsed Mr Tung.

Mr Li and Mr Tung know each other well. As part of the restructuring of the Tung shipping group, OOIL's interest in the Felixstowe container port in Britain and its interest in Hong Kong's container port were sold to Mr Li. The two businessmen are also partners in Oriental Plaza, a $1.5bn property development in the heart of Beijing, approval for which was given personally by Mr Jiang late last year.

According to a senior British official, Mr Tung "is the best example of the well-connected Chinese businessman I know". He has very good contacts in the US, Japan, Taiwan, where he has extensive family contacts, and Britain, where he attended university. "There is a question whether he has enough bottom and backbone to stand up for Hong Kong when it matters, and whether he can do the political PR," the official said. "Will he be tough enough when it comes to selecting his Executive Council?"

But as another official points out, toughness is a characteristic that is valueless without good political connections: "The two complement each other and C H has both."

ASIA-PACIFIC NEWS DIGEST

Japan foreign exchange record

Japan's foreign exchange reserves hit a world record of $182.84bn at the end of January, but the increase was small, suggesting a decline in central bank intervention. The total rose by just $18m from the month before – the previous record – a minute increase compared with the $1.57bn jump from November to December.

The dollar has risen to Y107 from Y95 last August when the Bank of Japan and other leading central banks started to intervene to support the US currency, partly to avert fears of the damage to the Japanese economy risked by a strong yen. That anxiety has now eased, at least temporarily. However, the government is still making contingency plans against another rise in the yen, a Finance Ministry official confirmed yesterday.

An advisory panel to the ministry is considering a scheme to allow Japanese companies to make direct foreign exchange dealings with foreign banks abroad, to be able to take advantage of lower transaction costs, he said. This, like a similar foreign exchange deregulation package last August, would be designed to encourage Japanese institutions to sell yen. *William Dawkins, Tokyo*

Export boost to Philippine GNP

A pick-up in exports and manufacturing production boosted growth in Philippine gross national product to 5.7 per cent in 1995 compared with 5.3 per cent the previous year.

The improved performance, which the Asian Development Bank predicts will reach 7 per cent in 1996, was led by a 7.3 per cent rise in industrial output last year, according to figures released yesterday – a big improvement on the 5.8 per cent recorded in 1994.

A surge in exports, which grew almost 30 per cent, and construction, which grew 9.2 per cent, helped offset zero growth in agriculture. GDP growth rose slightly from 4.4 per cent to 4.8 per cent.

Officials said the 40 per cent increase in remittances from overseas workers and strong inflows of foreign direct investment and portfolio capital helped to counterbalance the knock-on effects of the Mexican currency crisis at the start of the year and the a wave of natural disasters in the second half. *Edward Luce in Manila*

Thailand's CPI increases 7.4%

The Thai consumer price index rose 7.4 per cent in January compared with the same period last year, according to data released yesterday by the Ministry of Commerce. The rate is the same as for December, a signal that price rises may have peaked, although they remain at a level government authorities say is too high. There had been six straight months of increases.

The biggest increases came in food prices, which increased 10.9 per cent in January over the same month last year.

Thai officials had blamed last year's annual inflation rate of 5.8 per cent on food price increases due to record flooding throughout much of the country and had expected food price rises to taper off as part of a goal to bring down inflation in 1996 to a more manageable 4.8 per cent. January non-food prices increased 5 per cent over the same period last year. *Ted Bardacke, Bangkok*

Indonesian satellite launched

The first of Indonesia's third generation of satellites, known as the Palapa C-series, was launched successfully from Cape Carnaveral in Florida by a unit of Lockheed Martin yesterday. The Palapa C-1 satellite, the first of a number of telecommunications satellites in the series, will be operated by Satelindo, a private Indonesian telecoms company which was given a licence to own the next generation of satellites, apparently without a government tender.

The next C-series satellite is due to be launched in April this year by France's Arianespace but Telkom, the publicly listed domestic telecoms carrier, is also planning to launch its own satellite in 1999 to meet rising domestic telecommunication needs. The C-1 satellite, which was built by Hughes Electronics unit Hughes Space and Communications Company, has 34 transponders which are leased commercially to a number of Hong Kong-based and US broadcasters. The satellite has a footprint that extends from Vladivostok to Iran and south to Sydney and New Zealand.

Satelindo is 25 per cent owned by Deutsche Telekom's DeTeMobil, 22.5 per cent by Indonesia's domestic telecoms operator Telkom and 7.5 per cent by Indosat, Indonesia's satellite telecoms company. Its majority shareholder is Bimagraha Telekomindo, a unit of the listed Bimantara Group which is controlled by President Suharto's second son, Mr Bambang Trihatmodjo. *Manuela Saragosa, Jakarta*

S Korean trade deficit widens

South Korea's trade deficit widened to a four-year high of $1.92bn in January from $1.15bn in the same year-earlier period, the ministry of international trade and industry said yesterday. Imports grew 35.2 per cent year-on-year to $12.01bn while exports rose 30.5 per cent to $10.09bn on a customs-cleared basis.

A ministry official attributed the sharp rise in the deficit to unusually high aircraft imports worth $360m and an upsurge of fuel imports due to cold weather. Despite the weakness of the yen, which eroded the competitiveness of South Korean products by lowering Japanese prices, exports were still robust in most sectors, the official said.

Heavy-chemical exports rose 39.7 per cent while semiconductor exports grew 51.3 per cent, vehicles were up 64.3 per cent and oil products up 63.7 per cent. Imports of capital goods grew 32.5 per cent and those of consumption goods rose 23.6 per cent. *AFP, Seoul*

Colombo blast likely to deter investors

By Amal Jayasinghe in Colombo

Sri Lankan leaders acknowledged yesterday that the bombing of the country's financial centre presented a potentially serious setback to hopes of attracting much-needed foreign capital to revive the war-weary economy.

President Chandrika Kumaratunga said Tamil "Tiger" rebels carried out Wednesday's suicide attack on the central bank building in the capital, Colombo, to destroy the nation's assets and sabotage political attempts to end ethnic conflict.

Police said at least 72 people were killed and about 1,500, including several foreigners, were wounded in the blast, which also extensively damaged more than 10 office buildings.

"In the short term, there could be an adverse effect on foreign investment," said Mr G L Peiris, deputy finance minister. But he went on to insist that "potential investors should see that we have a coherent strategy to deal with the problem".

Mr Peiris said the military would intensify its campaign against the separatist Liberation Tigers of Tamil Eelam while pressing ahead with a political package to grant greater autonomy to minority Tamils. Wednesday's attack, carried out by suspected Tamil Tiger guerrillas fighting for a separate homeland in the country's north and the east, was one of the biggest explosions seen in the capital.

The Colombo Stock Exchange suspended trading in the 11 companies whose offices were directly affected by the blast. Trading yesterday was limited to half a session and closing figures had not been worked out because of the disruption.

Brokers said the bombing might discourage many foreign investors who were keen to bid for state enterprises scheduled to be privatised this year. The government had aimed to raise $420m, mainly from foreign investors, by selling state assets including the national airline AirLanka as well as telecommunications and petroleum operations and tea and rubber plantations.

Mr A S Jayawardena, central bank governor, said cheque clearing and money market transactions had been suspended but he hoped to restore the services by early next week.

"Our aim is to restore normal financial services as soon as possible," Mr Jayawardena said. "Our money market transactions will be limited to determining the foreign exchange rates."

He said the government had instructed two state-owned commercial banks, the Bank of Ceylon and the People's Bank, to execute interest payments on foreign loans taken by the government while the central bank was recovering.

Treasury bills amounting to some $85m which matured on Wednesday were not paid out but arrangements were made to extend the maturity period of the bonds by another two weeks and pay enhanced interest.

The blast has given rise to fears of a fall-off in tourism to the island, and may have jeopardised Sri Lanka's plans to co-host this month's cricket world cup series with Pakistan and India.

New alliances threaten Taiwan's old order

By Laura Tyson in Taipei

Democracy can make for strange bedfellows. When a former dissident who spent 25 years in jail fighting for the cause of Taiwanese independence teams up with diehard supporters of unification with China, it is clear things are changing.

Surmounting differences in ideology, Taiwan's conservative New party and the pro-independence Democratic Progressive party (DPP) joined forces yesterday to support Mr Shih Ming-teh, a DPP legislator sometimes called "Taiwan's Mandela", in his bid to become Speaker of the newly elected legislature.

Although the two opposition parties failed by just one vote to block the governing Kuomintang (KMT), or Nationalist, incumbent, Mr Liu Sung-fan, this co-operation signals a departure from politics as usual.

The legislature installed yesterday following December's elections is only the third since 1949, when the defeated Nationalist Chinese government fled to the island from mainland China after losing the civil war. Democracy was but a public relations slogan in "free" China until 1987, when martial law and the one-party state were abolished and press controls lifted shortly thereafter.

Taiwan's political landscape has since been transformed by elections and profound changes in policy toward issues ranging from the island's relations with China to landfill sites. That transformation will be capped by the first direct presidential election on March 23.

President Lee Teng-hui is expected to win this time but opposition parties are gaining ground. December's parliamentary elections left the long-ruling KMT with a wafer-thin majority in the legislature, and saw the New party emerge as a third force in what had been a relatively straightforward two-party political scene.

Confident and united in their aim of embarrassing the KMT at any opportunity, the opposition parties are turning political horse-trading into a fine art. They are forging unlikely alliances and persuading maverick KMT legislators to cross party lines. In yesterday's vote, opposition legislators publicly revealed their votes in what was supposed to be a secret ballot – because the deal struck was that if the DPP could marshal all its 54 legislators to support Mr Shih, only then would the New party guarantee the backing of its 21 legislators.

This sort of behaviour portends trouble for the governing party, accustomed to forcing controversial policies through the legislature by sheer strength of numbers. The Speaker's job is a powerful one wielding control over parliament's agenda and processes. Had Mr Shih won, President Lee would have had difficulty reinstalling Mr Lien Chan, the premier, in a cabinet reshuffle later this month.

As it is, Mr Lee's hopes of consolidating his power by also making Mr Lien vice-president next May appear doomed. While Mr Lee appeared certain only months ago to win the presidential by a landslide, he now looks unlikely to get 50 per cent of the vote. This will sharpen opposition calls for a coalition cabinet and make confirmation of KMT nominees for cabinet posts difficult.

Congress to penalise Internet pornography

Governments around the world are taking action to police the world computer net

The US House of Representatives was yesterday set to vote on legislation that would impose stiff penalties for the distribution of "indecent" material on the Internet, a global web of computer networks that is accessed by an estimated 30m computer users.

The action echoes moves by other leading industrial countries to bring the Internet under some form of control. It coincides with a call by French officials for an international law on communications to deal with regulation of electronic publishing on the Net.

In Japan, meanwhile, Tokyo police have made what are believed to be the first arrests in a crackdown on the distribution of pornography via computer networks.

The rapid growth of the Internet has created widespread concerns about its use to distribute pornography, racial hate messages and other offensive materials. However, the vast bulk of material published on the global computer network is commercial or technical in nature.

Measures being considered in the US Congress, which are affixed to a broad Telecommunications Bill, could for the first time place legal limits on the types of materials that can be distributed via computer networks.

Government intervention is strongly opposed by Internet pioneers, and by many within the computer industry, who believe that rapid growth of the Internet and electronic commerce would be stunted by regulation. Moreover, legal experts say that the regulation of cyberspace raises complex issues about jurisdiction because the Internet carries information across borders.

In France, the issue has been brought to a head by the recent publication, on the Internet, of "Le Grand Secret" (The Big Secret), a book about François Mitterrand's battle with cancer written by Dr Claude Gubler, the late president's personal physician, which has been banned by the French courts. Mr François Fillon, post and telecoms minister, said in the French Senate yesterday that he was to propose to a March meeting of EU culture and telecoms ministers an international conference to debate a law.

He said the government was creating a working group with representatives from the ministries of justice, culture and telecoms, and stressed that his concerns included the problem of dealing with regulation outside national boundaries and the difficulty of pursuing those who abused the system.

He also suggested the possibility of introducing ethical codes for Internet operators, along the lines of those already in place for the country's Minitel telephone-based information system.

In Japan, where use of the Internet is growing rapidly, the legality of publishing pornography on computer networks is about to be tested in the courts following the first arrests for allegedly criminal use of the Internet.

Tokyo police announced that they had arrested a 28-year-old businessman, Mr Hiroshi Kamekura, on suspicion of distributing pornographic pictures. He is alleged to have produced the images at home and distributed them on his home page since last month, said police. According to Mr Kamekura, the service was popular and he was asked by other Internet users to produce more provocative pictures.

Police also arrested a high school student, accused of distributing pornographic pictures over the Internet since last September. The arrests may raise eyebrows in a country where graphic, frequently sadistic pornography, moderated only by a ban on depictions of pubic hair, is openly sold on book stalls everywhere.

A German court has already acted to prevent users in that country from accessing sexually explicit Internet discussion groups. The court forced Compuserve, a US-based online information service, to block access to about 200 of the thousands of "Usenet" groups to be found on the Internet.

Mitterrand: his cancer secrets were broken on the Internet

Foreign Staff

Safety fears for US citizens

By James Whittington in Cairo

Fears have risen for the safety of US nationals in Saudi Arabia and Sudan following reports about attacks on US interests in the kingdom, and the recall of all 25 staff from the US embassy in Khartoum because of security concerns.

The 35,000 Americans living in Saudi Arabia have been on heightened alert since November when a car bomb killed seven people, among them five Americans, at a National Guard centre in Riyadh.

A team of FBI agents were sent to help with the investigation after the blast and yesterday Pakistan said it had deported a Saudi national, Mr Hassan Alsarai, to the kingdom for questioning about it.

US diplomats say they are advising all their fellow nationals in Saudi Arabia to keep a low profile, to reduce travel within the country, and treat with suspicion any mail from unfamiliar sources. Other US embassies in the region have warned of threats to Americans from supporters of the Egyptian cleric Sheikh Omar Abdel-Rahman, jailed for life by a US federal judge in New York on 17 January.

The blind cleric and his followers were convicted on October 1 of planning the bombing of the United Nations, bridges and tunnels in New York and the assassination of Egypt's President Hosni Mubarak and other political leaders.

Mr Hassan Turabi, Sudan's spiritual leader and political mentor of the military Islamist government, claimed yesterday the US decision to suspend its diplomatic presence was due to budget difficulties rather than security concerns.

However, one diplomat commented: "In light of the Saudi attack and the threat of militant reprisals for the jailing of the sheikh, it is quite understandable the State Department would feel uncomfortable about keeping people in Sudan which is known to be a haven for terrorists. To link it to the budget is quite ridiculous."

Sudan was added to the US State Department's list of countries believed to support international terrorism in 1993. More recently, Egypt, which currently occupies a non-permanent seat on the Security Council in place of Libya, has accused Sudan of complicity in the assassination attempt on President Mubarak which was carried out by Egyptian Islamist militants in Ethiopia. Sudanese officials have denied any involvement.

Yeltsin security adviser visits rebellion-hit Tajikistan

Russian President Boris Yeltsin sent his national security adviser to Tajikistan yesterday as fears mounted that turmoil in the Central Asian state could spread through "the underbelly of Russia", Reuter reported from Almaty, Kazakhstan.

The Russian envoy, Mr Yuri Baturin, travelled to Dushanbe, the Tajik capital, for talks after the Russian Foreign Ministry expressed alarm that rising unrest in Tajikistan could spark a renewal of the civil war of 1992.

His departure coincided with advances toward Dushanbe by rebel Tajik warlords, who are demanding that the government resign. A spokesman for the rebels said that they would not enter the capital, but claimed that they were within 15km of the city.

Mr Baturin is the second senior Russian official this week to visit Tajikistan, where peace talks between the government and exiled opposition have been disrupted by armed action by two rebel warlords.

"My aim is fairly obvious: to take stock of the situation on the ground and work out some proposals for the president to contribute to a peaceful settlement of the conflict," Mr Baturin said.

Tajik President Imomali Rakhmonov faces rebellion from two former commanders, both ethnic Uzbeks. "Certain forces outside the republic are trying to cause a social explosion," Mr Rakhmonov told the Tajik parliament yesterday.

At the parliament session, deputies formed a 12-member commission to resume peace talks with the two warlords. The commission was to report back to parliament today.

FAO warns of crisis in world food supplies

By Deborah Hargreaves

The world has been plunged into a food crisis following huge rises in cereals prices this year, Mr Jacques Diouf, secretary general of the United Nations' Food and Agriculture Organisation, said yesterday. He is organising a food summit in November to discuss high cereal prices and world hunger.

"We are in a crisis. Food prices have risen by as much as 30 to 50 per cent in the past year, mainly because the rising cost of cereals," he said. This means an extra $3bn on to the total food bill for developing nations.

The world food summit will discuss food security issues and ways to address world hunger – it is the first forum for international discussion since the world food conference in 1974.

World cereals stocks are at their lowest point for 20 years after diminished harvests last year in the main grain producing nations. The FAO estimates that last year's cereals harvest was 1.89bn tonnes – 58m tonnes or 3 per cent less than in 1994.

The FAO believes that cereals output in 1996 will have to rise by 4 per cent just to meet current demand without further eroding stocks.

"World food production will have to increase by more than 75 per cent over the next 30 years to keep pace with population growth. We must prepare now to feed about 9bn people by 2030, up from 5.8bn today," Mr Diouf said.

The FAO says that every day one in five people in the developing world cannot get enough food to meet their daily needs and in sub-Saharan Africa the situation is worse with two in five people not getting adequate food. This adds up to 800m people in the developing world who are chronically undernourished.

Africa had made progress towards food security and has increased output by 60 per cent in the past 20 years, but its population has grown by 80 per cent leaving it with a decline in per capita food production of around 18 per cent.

Mr Diouf says that developing countries cannot rely on food aid from developed nations, which, anyway, is in decline, but must become more self reliant in food production.

Some 174 countries have been invited to the summit in the hope they will adopt a set of commitments aimed at ending hunger and promoting universal food security.

Peace with Syria 'only a matter of time' says Peres

By Roula Khalaf in London

Israeli prime minister Shimon Peres said yesterday it was only a matter of time before peace was achieved with Syria and Lebanon.

On a two-day visit to Britain, Mr Peres said he believed Syrian president Hafez el Assad had decided to take the road of peace.

Although Israeli, Syrian and US officials have made clear that no breakthrough was achieved in the latest round of negotiations completed on Wednesday in Maryland and that serious gaps remain, Mr Peres put an optimistic face on the talks.

He said that the latest round was different because it was not limited to security issues but widened to include economic co-operation, normalisation of relations and the water resources issue.

Talks between Israel and Syria broke off last June over Israeli demands for early warning stations inside Syria.

"The talks gained the character of informality so both parties could introduce ideas," Mr Peres said.

Progress was made on the kind of relations the two countries would have and discussions were started on economic co-operation.

"In two meetings, this is quite an achievement and this is what makes me so optimistic," Mr Peres said.

The optimism was not shared by Syria, however. The state-owned press yesterday lashed out at Israel for making "impossible and provocative" security demands and said that such demands as well as Israel's refusal to commit to a full withdrawal from the Golan Heights captured in 1967 had widened differences between the two sides.

US mediator Dennis Ross on Wednesday identified security arrangements as having topped the agenda in the Maryland talks and said there were differences of "substance or perspective" on these arrangements.

Mr Peres, who has to decide in the coming weeks whether to bring forward the date of general elections scheduled for October, said further progress was likely to be made when Mr Warren Christopher, US secretary of state, resumes his shuttle diplomacy next week.

"Each time Christopher visits, there is progress. No one should expect that everything will be solved in one visit but the fact he is visiting Damascus shows there is progress even if it goes at a slow pace."

The Israeli press has speculated that Mr Peres will wait for an answer from the US on whether Mr Assad will agree to a meeting with him before deciding on the elections. Mr Peres, however, said yesterday he would like to see the elections take place on time.

NEWS: WORLD TRADE

Madrid overrules army over helicopter

By David White in Madrid

The Spanish government has overruled the advice of army commanders and opted to buy military transport helicopters from the Franco-German company Eurocopter, rather than Sikorsky of the US.

The deal, worth around $200m, follows months of top-level lobbying. Both President Jacques Chirac of France and US President Bill Clinton pressed their rival cases on visits to Madrid during Spain's EU presidency late last year.

Mr Gustavo Suárez Pertierra, defence minister, said the choice had not been easy since both contenders – the French-designed Cougar, a military transport version of the Super Puma, and the UH-60 Black Hawk – fully met the army's requirements for equipping its air-mobile force.

However, army chiefs had come out strongly in favour of the Black Hawk, currently in use with US forces in Bosnia. They argued that the US helicopter had greater range, was better armoured and was specifically designed for military tasks, in contrast to the French rival. The US offer was also understood to have been cheaper.

The government decision appears to have been determined by both political and industrial considerations. The contract, for 15 helicopters for delivery between 1997 and 2002 at the rate of three machines a year, is pegged to an offset programme including the purchase by France of seven CN-235 transport aircraft made by the Spanish company Construcciones Aeronáuticas (Casa).

The decision reflects Spain's commitment to European defence collaboration, including its participation in the five-nation Eurocorps and a $1.4bn agreement deal on joint production of 200 Leopard 2 tanks with the German manufacturer Krauss-Maffei. However, timing of the deal is controversial, barely a month before general elections in which the Socialist administration is expected to be voted out of office.

Aeroflot's $1bn loan hits turbulence

By Chrystia Freeland in Moscow

Aeroflot officials warned yesterday that several issues had to be resolved before a $1bn loan backed by the US government could be finalised.

Earlier this week the Export-Import Bank, a US government agency, gave preliminary approval for the loan to finance Aeroflot's acquisition of 20 new Ilyushin jets, built with US engines and avionics equipment.

The deal could provide a valuable boost for Russia's ailing aircraft industry, but Aeroflot officials and Russian observers said that some important details remained to be worked out before the money was made available.

"There are a number of concrete details which must still be agreed," said Mr Anatoly Brylov, an Aeroflot spokesman.

Russian observers said the main sticking points were the specific financial guarantees Eximbank would receive for the loan, and the form of ownership of the aircraft whose construction the deal will finance.

In addition to a sovereign guarantee from the Russian government, Eximbank is seeking pledges on the aircraft themselves, but the documents securing the aircraft have not yet been finalised.

There also appears to be some dispute about ownership of the airliners. Eximbank said they would be sold by Ilyushin to a specially created corporation which would lease them to Aeroflot. But Aeroflot officials and Russian analysts said a final agreement had not yet been reached on who would own the aircraft.

However, the high-level political support for the loan, both in Washington and in Moscow, was expected to smooth over these obstacles. The financing was one of the issues discussed at a meeting this week between Mr Al Gore, the US vice-president, and Mr Victor Chernomyrdin, the Russian prime minister. Washington's desire to bolster the Kremlin at a time of mounting political and economic instability in Russia has created strong political pressure to wrap up the deal swiftly.

Moreover, Eximbank's preliminary approval was a signal that Boeing, the US aircraft maker, had dropped its objections to the loan.

Boeing appeared to be appeased by assurances that the US loan to the Russian aviation industry was an exceptional case. Russian officials also promised to give western aircraft-makers long-term access to the Russian market.

If the loan is finalised, it will provide Russia with the resources to pay for jet engines built by Pratt and Whitney and avionics produced by Rockwell.

Argentina and Brazil clear the road

Last week's agreement aims to help both countries expand their motor industries

Brazil's trade and industry minister, Mrs Dorothea Werneck, was positively euphoric. The motor deal concluded last week between Argentina and Brazil, she says, gives the region the "real possibility of becoming a world centre of automobile construction.... something we all dream of achieving".

The agreement, a transitional one reached after months of haggling, seeks to expand the locally based motor industry by limiting imports from outside the region, and by promoting the flow of vehicles and parts between Argentina and Brazil, principal members of the Mercosur customs union. Essentially, companies located in either country will be allowed to import, free of tariffs, vehicles and parts from its neighbour, providing they match such imports with exports.

Argentina also formally accepts changes made late last year to Brazil's domestic regulations, which allow manufacturers of vehicles and parts to import capital goods and materials at sharply reduced tariffs. In addition, the deal provides Argentine manufacturers with a free export quota of 85,000 vehicles to the end of 1998, in recognition of the trade surplus in the industry built up by Brazil during 1991-1994.

The bilateral agreement, which ends uncertainty provoked by Brazil's unilateral imposition of import quotas last June, is intended to run until the start of the year 2000 when free trade is due to prevail. However, it can be revised by mutual consent and will be subject to scrutiny by the World Trade Organisation.

Critics suggest the agreement will do little to open up the region's highly protected motor industry. By blocking most imports from outside the region, they argue, Argentina and Brazil are effectively blackmailing multinational vehicle makers into setting up local plants.

But Mr Christopher Ecclestone, a Buenos Aires-based broker at Interacciones, says the deal is a considerable advance on the protectionism that for years kept vehicle prices high and condemned the region to resembling "a vintage car museum".

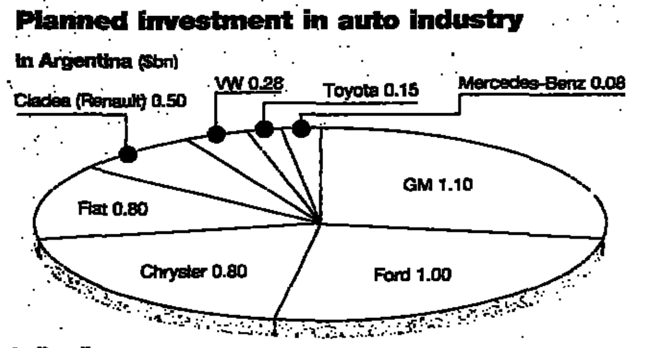
The multinational arrivals, he says, are using the "latest technology" for their greenfield plants where they intend to build models as up-to-date as those in their European and US plants. So tough will competition be that local companies such as Sevel risk being swept out of existence, he says.

Mrs Werneck says the deal establishes transparent rules, a prerequisite for attracting big investments. "The decisions of investors, both in the motor manufacturing and parts sectors, can now be made with a clear horizon."

Indeed, there is a lot at stake. Ford, Volkswagen, Renault, General Motors, Fiat, Chrysler, Hyundai and Toyota all announced plans last year to invest a total of $9.4bn in Brazil and $3.7bn in Argentina.

Planned investment in auto industry

In Argentina ($bn)



In Brazil

Company	Investment ($bn)	Years
VW	2.5	5
Ford	2.5	5
Fiat	1.3	4
GM	2.0	4
Renault	1.0	–
Hyundai	0.1	–

Source: Economy Ministry of Argentina, Brazilian Ministry of Trade and Industry

Those investments, particularly the Argentine ones, were placed in doubt when Brazil abruptly changed the rules of the game. By imposing import quotas, Brazil was reacting not only to a growing trade deficit, but also to an existing bilateral agreement it regarded as favouring Argentina.

Last week's agreement levels the playing field. "By requiring a matching of exports and imports in most cases, companies will be encouraged to invest in both countries to facilitate the movement of products between Argentina and Brazil," says Mr Frank McGann, vice-president at Merrill Lynch in Buenos Aires. "The new framework will encourage companies to specialise their investments in both countries and thus achieve greater economies of scale."

Mr Paulo Sérgio Bedran of Brazil's trade ministry believes the accord reinforces his country's position as a vehicle producer. "Brazil has no vocation to be an importer of automobiles," he says.

The potential for growth in Brazil's market is easily the biggest in the region: with a population of 160m, it has one car per 11 inhabitants, compared with one per 1.3 inhabitants in the US and one per 5.5 in Argentina. Under the rules of the accord, manufacturers are now less likely to consider producing vehicles in Argentina for export to Brazil unless they can export the same quantity of Brazilian-made vehicles.

Manufacturers with factories in both countries will do just that. Ford will export Fiestas from Brazil to Argentina, while Escorts made in Argentina are shipped to Brazil.

Sevel, an Argentine-based manufacturer of Peugeot vehicles with no plant in Brazil, has reacted furiously to the accord, which it sees as a charter for multinationals and the death knell of home-grown carmakers. Although Argentina plans this month to negotiate a special quota for companies with a factory in only one country, Sevel's share price dropped 6.25 per cent last week as investors took a dim view of the company's prospects. Sevel has even threatened to move production to Brazil.

Mr Bedran says Brazil seeks a "balance" of investments in the two countries. "The Argentine industry grew from producing 90,000 vehicles in 1990 to 408,000 in 1994," he says. "We can't allow Brazil's rate of growth to be so much out of balance with Argentina's."

Brazil produced an estimated 1.7m vehicles last year, but officials hope to reach annual production of 3m by the end of the decade.

David Pilling and Jonathan Wheatley

WORLD TRADE NEWS DIGEST

China defends piracy record

China yesterday rejected criticism from the US and said it had stepped up its efforts to combat copyright piracy.

Foreign ministry spokesman Mr Chen Jian said that US threats to impose sanctions would harm co-operation in the enforcement of intellectual property rights and overall Sino-US economic developments and trade ties. China was willing to have further exchanges with the US, he said, and differences should be resolved through negotiations, not threats.

Mr Mickey Kantor, the US trade representative, speaking at the US-China Business Council in Washington, expressed concern about trade barriers in China and its enforcement of trade agreements, and warned Beijing it must open markets if it hopes to join the World Trade Organisation. *AP, Beijing*

Vietnam relents on EU textiles

Vietnam has agreed to allow the European Union reciprocal access to its textile market, averting the threat of a trade dispute only six months after Hanoi and Brussels cemented diplomatic ties. Last week, the EU suspended a generous extension to an existing textile quota because Hanoi had not agreed to allow the EU access to its textile market by a December deadline.

Mr Riccardo Ravenna, head of the EU delegation in Hanoi, said the Vietnamese had admitted a "technical mistake" in failing to comply with the deadline. The new quota allows Vietnam to increase textile exports to the EU by Ecu100m ($127m) to Ecu400m this year. Textiles account for 70 per cent of Vietnam's exports to the EU. *Jeremy Grant, Hanoi*

US textile quotas challenged

Costa Rica has complained to the World Trade Organisation over US quota restrictions on its underwear exports. Officials told a meeting of the WTO's dispute settlement body on Wednesday the US restrictions imposed last year cost Costa Rica jobs and threatened investment. Costa Rica can ask for a neutral WTO panel to rule on the issue if consultations now under way fail to resolve the dispute.

The spat stems from failure of the WTO's textiles monitoring body, which adjudicates on quotas, to decide whether Costa Rican underwear exports posed a threat of "serious damage" to the US industry. A safeguard clause in the WTO textiles agreement, which provides for a phase-out of quotas on textiles and clothing by 2005, allows new restraints if domestic industry is threatened with "serious damage". Costa Rica, backed by other textiles exporters, says that since the US has failed to prove its case under WTO rules it is not entitled to continue the restraints. *Frances Williams, Geneva*

■ Portugal's state railway yesterday awarded a Es20bn ($129m) contract to Fiat Ferroviária, a Portuguese subsidiary of the Italian engineering company, to supply 10 "tilting" locomotives for a high-speed rail link between Lisbon and Oporto.

Caminhos de Ferro Portugueses chose Fiat over a rival bid from Asea Brown Boveri, the Swiss-Swedish engineering group and only other producer of similar technology for high-performance trains. *Peter Wise, Lisbon*

■ Alsthom-METKA, a French-Greek joint venture, has won a Dr59bn ($245m) contract to build a 600MW power plant for Greece's state-owned electricity utility at Lavrion, south of Athens. The plant will use Russian natural gas piped from Bulgaria. *Kerin Hope, Athens*

Europe ready to shoulder bigger burden, French leader tells Congress

Chirac reassures US over Nato role

By Jurek Martin in Washington

President Jacques Chirac of France told the US yesterday that Europe stood ready to shoulder larger burdens in a reformed Nato, including military action in those areas "where the US does not want to engage its ground forces".

France, he said, "will take its full share in this renovation process", as witnessed by its recent decision to move closer to Nato's military high councils. He suggested a new transatlantic security charter to underline the importance of the alliance, adding, without going into details, that "the reform of Nato can facilitate its enlargement".

Mr Chirac presented his ideas to a joint session of Congress prior to afternoon talks with President Bill Clinton in the White House. In welcoming the French president, Mr Clinton described as "historic" France's decision to participate once again in Nato's defence council.

His speech, delivered in French, apart from one quotation from George Washington, was respectfully received by the joint session, though some members boycotted it in protest against France's recently concluded round of nuclear testing in the Pacific. But Mr Chirac drew applause when he stated that testing had been ended "once and for all" now that France was assured that its nuclear deterrent was "reliable and safe".

Mr Chirac also took Congress to task for its reluctance to continue to fund US and multilateral aid programmes and for its constant drumbeat of criticism against the United Nations.

He reminded his audience that Europe's foreign aid of about \$30bn was three times that of the US. "Europe – and France – have budget problems, too," he said, but this should not detract from the "moral obligation" to help the poorest countries, especially in Africa.

Mr Chirac called the International Development Association, the World Bank's soft-loan arm, "an irreplaceable instrument", founded, he noted, on the initiative of President Dwight Eisenhower. US arrears to IDA are now substantial. "My friends," he said more than once, "the world needs you."

He described the UN, the subject of stinging attacks last week by Senator Bob Dole, the majority leader and front-runner for the Republican presidential nomination, as "the only bulwark against disorder and arbitrariness". Reform was desirable but "let us not refuse the UN the means to succeed".

However, Mr Chirac's main message was on reforming Nato. "As long as the European identity can assert itself fully, [Europe] is capable of bearing a larger share of the common burden," he declared.

But that still required a continuation of "an essential element" – the longstanding US political and military commitment to European security. This, too, may be interpreted as an indirect criticism of the growing isolationist element in Congress which has seen Bosnia, for example, as a European "problem" not requiring the presence of US troops.

Mr Chirac was careful to praise Congress for its "sense of political responsibility" in not trying to block US deployment, noting that its presence on the ground "sends a clear message" to the world of continued US involvement.

He also pointed out a series of French initiatives in Bosnia, including the creation of the western "contact group" and of Nato's rapid reaction force, that helped create the right "environment" for the Dayton peace talks last year.

Shoulder-to-shoulder: Presidents Chirac and Clinton yesterday outside the White House where defence was the main topic AP

Media hype helps push Forbes ahead

Poll shows him leading Dole by 31% to 22%

By Patti Waldmeir in Washington

Mr Steve Forbes, the multi-millionaire US magazine publisher, has surged ahead in another pre-primary opinion poll in New Hampshire, helped by the intensive media focus on his campaign for the Republican presidential nomination.

A poll published yesterday by the Boston Globe showed Mr Forbes leading Senator Bob Dole, Senate majority leader and national frontrunner, by 31 per cent to 22 per cent. It was the second time in a week that a New Hampshire poll showed Mr Forbes ahead. Other polls showed conflicting trends: one had the publisher closing the gap with the senator; another showed him slipping.

But the simple fact that he has registered another poll lead will boost the extraordinary momentum of Mr Forbes's campaign, despite the contradictory signals. And it will feed the media frenzy surrounding him, which has become a political fact in its own right, over the past week.

With a lacklustre field of Republican presidential candidates generating few headlines, American media managers have increasingly seized on the Forbes phenomenon to fill column inches and television screens.

Many treat him as a form of comic relief in a tedious campaign, ridiculing his trademark monotone voice and fixed grin, not to mention his mantra-call for a flat rate of income tax. Newsweek magazine has dubbed his appeal "geek chic."

He has been interviewed dozens of times in the past week on national television, often by hostile interviewers.

However, the attention, however negative, has undoubtedly boosted his poll ratings, helped further by millions of dollars spent on television advertising.

Mr Forbes's campaign officials say he spent \$15m last year alone, before the current spurt of heavy spending which precedes trend-setting polls later this month in New Hampshire and Iowa.

Mr Forbes's performance in the New Hampshire primary will depend heavily on the number of independent voters who turn out on election day, February 20.

Opinion polls show his appeal among independents is far higher than among registered Republicans, who tend to favour Mr Dole. But independents are traditionally less likely to vote than registered party members.

Much will depend on whether Mr Forbes' intensive personal campaign and television advertising in the state will persuade normally reticent voters to go to the polls.

But if media attention on his campaign has undoubtedly boosted his chances in New Hampshire, the opposite is true of Mr Dole.

He has been the focus of almost universally negative media comment since his uninspired reply to President Bill Clinton's state of the union address last week.

The 72-year-old Senator did his campaign no good earlier this week when he inaugurated a new beer called Old Man Ale, feeding concerns that he is too old to be president.

NYC acts to plug \$2bn budget deficit

By Richard Tomkins in New York

New York City, plagued by financial woes, plans to privatise the operation of its 68,000 parking meters as part of an effort to plug a \$2bn hole in its budget for the coming year.

Among other measures indicative of the city's financial plight, one of seven police helicopters is to be sold for \$150,000 and the municipal health department is to start charging \$25 each time it approves an application to carry out a cremation.

Mr Rudolph Giuliani, the city's Republican mayor, unveiled the measures this week as he presented his budget for the financial year starting this July.

Like his previous two budgets, the latest contains proposals for widespread cuts in public services.

Health, education and social services all face cuts in spending. Even the previously sacrosanct police department will suffer the loss of 1,500 police officers from the total of 38,000, marking the end of a long period of expansion.

New York's planned spending for the new financial year is \$31bn, more than that of many nation states. By law, the city is required to balance its books, but although Mr Giuliani has slashed more than 20,000 jobs from the municipal workforce since coming to office at the beginning of 1994, he is still struggling to make ends meet.

This year should have been easier because Wall Street profits are sharply up. But Wall Street's prosperity has not been enough to counteract the effect of jobs lost through recent big bank mergers, the depressed state of the city's real estate market, and unexpectedly poor retail sales.

Giuliani:tough act

The latest budget will cut the city's planned spending by 5 per cent. Among other measures, libraries and museums will open shorter hours, the refuse recycling programme will be cut, and the city will continue its efforts to reduce welfare rolls through tougher screening and so called workfare programmes.

Mr Giuliani also aims to continue with a privatisation programme that has already seen the sale of the city's television and radio stations. He now aims to sell the Brooklyn Army Terminal, a city-run industrial complex, and some city-owned parking garages with spaces for 2,000 cars.

The parking meter privatisation proposal could be more controversial. A previous attempt to privatise the meters was reversed when employees of the private sector meter-servicing companies were found to have been emptying the meter contents into their pockets instead of the city's coffers.

UK-Argentina oil pact review

Mr Guido Di Tella, Argentina's foreign minister, said yesterday he had agreed with his British counterpart, Mr Malcolm Rifkind, to review the oil agreement between the two countries, which was signed last September following three and a half years of talks, Reuter reports from London.

A joint committee would meet in Buenos Aires on February 29 and March 1, he said, when it would define a schedule and targets against which to measure progress on the contested issue of oil exploitation in the South Atlantic.

"The discussions are far advanced, but still difficult," he told reporters at the Argentine embassy in London.

The agreement allows both countries to charge royalties for any oil or gas extracted from waters around the Falkland Islands without compromising their conflicting claims to sovereignty. Argentina plans to levy 3 per cent and Britain 9 per cent.

Mr Di Tella said Argentina fully intended to enforce the tax on companies granted licences by Britain. He reiterated Argentina's objection to British licensing of exploitation rights, but said his government would allow companies to use the Argentine mainland as a base for supplies. "This will be worth much more than the 3 per cent tax," he said.

Britain and Argentina fought a 10-week war over the sparsely populated islands in 1982.

● Mr Domingo Cavallo, Argentina's economy minister, said in a newspaper interview yesterday he was unlikely to stay in the job until the end of President Carlos Menem's mandate in 1999.

"I don't rule it out, but it would be surprising," he told the El Cronista daily in an interview. Mr Cavallo, who has held his post five years, also said he was not ruling out standing as a candidate in the next presidential elections.

Tunnel chief to accuse governments

By William Lewis in London

EURO TUNNEL

The UK and French governments should discuss "restitution" with Eurotunnel, the Anglo-French operator of the Channel tunnel between England and France, its UK co-chairman will state today. Sir Alastair Morton will say in a speech to the Engineering Council in London that "certain promises have not been delivered" by either the French or UK governments and that "restitution needs to be discussed".

Sir Alastair's comments come as Eurotunnel is in negotiations with its banks over repayment of £8bn ($12.1bn) of debt. The company may ask a French court to appoint a mediator to handle the negotiations with its banks following a warning by its auditor that it is in danger of becoming technically insolvent.

In his speech today Sir Alastair will criticise Conservative government ministers for "having changed the parameters of the project during its construction and early life". Mr Michael Heseltine, the deputy prime minister, is due to give a speech at the forum following Sir Alastair.

Sir Alastair will give three examples:

- Ministers were able to force more safety provision into the design and operation of the tunnel without paying for it.
- British Rail, the state network, was broken up "without regard to the delivery of promises of efficient operation and traffic development".
- Duty-free rules for operators of ferries, airports and airliners were "improperly extended beyond January 1 1993 to the heavy disadvantage of the tunnel, without compensation".

Sir Alastair will also target Baroness Thatcher, the former prime minister, who insisted that the tunnel be built unaided by public money. "She was of course guilty of an extraordinary form of tunnel vision," Sir Alastair will say. "She could not see the blindingly obvious – that the tunnel was no more than a major link in a chain of public sector infrastructures".

In a separate speech yesterday Mr Mike Smith, head of the Business Finance division at the Bank of England (the UK central bank), defended the City of London's traditional voluntary approach to resolving corporate financial crisis, known as London Rules.

Mr Smith said that at companies with internationally diverse groups of lenders "the most effective approach will be some form of international understanding".

market".

Yesterday one of Eurotunnel's banks said it was concerned that London Rules are not being applied to resolve its financial crisis. "They are trying to go down the French court-driven route," it said.

Supporters of the Eurorail consortium indicated yesterday that it would not be panicked into producing a last-minute improvement in the terms of its bid for the £3bn ($4.5bn) contract to build the Channel tunnel high-speed rail link through the county of Kent, our Transport Correspondent writes. It emerged earlier this week that the British government had started exclusive negotiations with the rival consortium, London & Continental Railways. Eurorail supporters said it had been made clear from the outset that the consortium "would not chase this project down." They added: "It is too important to the reputation of the shareholders to win the contract at any price."

Eurorail is led by Trafalgar House and BICC. L&C includes Virgin Group, National Express, Bechtel and Ove Arup. A decision on the link for trains between England and France is expected in the next two weeks.

Regulators issue ultimatum to forex dealers

By Norma Cohen in London

Securities regulators have given firms offering speculative foreign exchange dealing services one month to apply for authorisation under the Financial Services Act or face closure.

The move is an attempt to close a loophole allowing activities which have already made retail investors significant losses, and which is on the rise.

Firms which fail to apply may be subject to prosecution and regulators could then put them out of business for operating without authorisation.

The Securities and Investments Board, the City of London's chief regulatory watchdog, yesterday said it had concluded that so-called "rolling spot forex" contracts constitute investment business which, by law, must be specifically authorised under the act. In rolling spot forex contracts, individuals take positions in foreign exchange markets which can be affected by relatively small changes in currency prices.

The SIB's decision follows months of lobbying by the firms against plans to regulate their business. Some of the firms have been accused by clients of selling complex products to unsophisticated buyers with high commissions. Some individuals managing the firms have previously been the subject of regulatory action by securities regulators, and the SIB said it would take past activities into account when considering applications.

Regulators are aware of 37 firms which offer or plan to offer dealing in rolling spot forex. Of these, 22 are operating in the UK while a further 12 are considering it. Three more are offering similar services elsewhere in Europe and are considering offering these in the UK as well.

Two other firms offering rolling spot forex – London and Global and Cathay and West – have been placed in liquidation by the Department of Trade and Industry.

None of the 37 has yet applied to become an authorised member of the Securities and Futures Authority, the self-regulatory body which would cover that type of investment activity. However, about a quarter are said to have told regulators of their intention to apply.

Under the Financial Services Act, forward foreign exchange contracts of seven days or fewer are exempt from specific regulation.

However, firms have been selling the contracts on a "rolling" basis, meaning that on expiry, the contract is immediately rolled into a new one. The SIB, after consulting lawyers, the Bank of England (the UK central bank) and the Treasury, has concluded that the short-term nature of the contracts may well be a "sham". As a practical matter, the contracts are for much longer than seven days and therefore their sale must be regulated.

The SFA said it intends to set up a dedicated team to handle applications. Although a firm may operate unauthorised while its application is pending, the SFA said it would take steps to close a firm prior to a final decision if it believed the public was endangered. Clients dealing with unapproved firms are not covered by the Investors Compensation Scheme.

Several of the affected firms are expected to mount legal challenges to the SIB's ruling.

Narrowing of trade gap eases fears over exports

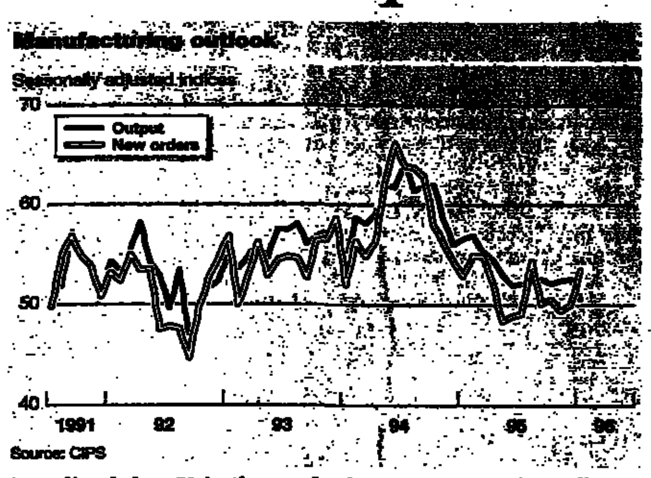
By Gillian Tett, Economics Correspondent

Britain's trade gap with the rest of the world was sliced by two-thirds in November, easing fears that the recent slowdown in mainland European markets might seriously damage British exporters.

The better-than-expected figures reassured financial markets that the UK was not yet heading back towards a large trade deficit. Overall, the gap in traded goods was a seasonally adjusted £567m compared with £1.6bn in October.

The data were flattered by some erratic exports of diamonds and ships. However, the figures showed that UK sales were rising in most mainland European countries in spite of the weaker pattern of growth in those countries. The trade deficit with European Union countries shrank to £131m in November, its lowest level for more than two years.

But with export growth still weaker than in 1994, industry groups warned that the real impact of the slowdown in mainland Europe may be yet to come. Ms Kate Barker, chief economist with the Confederation of British Industry, said: "Talking to companies around the country, it seems that concern about the European situation has really sharpened since the start of this year."



A reading below 50 in the purchasing managers' index indicates contraction in output compared with the previous month

Meanwhile, a survey of purchasing managers showed that, though new orders rose in January, production levels were flat and jobs were cut for the first time in two years. These diverse signals will fuel the debate about whether the recent weak manufacturing growth reflects a temporary lull or a more serious downturn. The graphic above illustrates details of the survey from the Chartered Institute of Purchasing and Supply.

Some economists fear that manufacturers are cutting production as customers across Europe meet demand from stocks of unsold goods rather than by placing fresh orders.

However, British ministers argue that this type of de-stocking will have only a muted impact on UK manufacturers. In particular, the Treasury hopes that de-stocking will primarily lead to lower levels of imports rather than weaker UK production.

Yesterday's figures gave some backing to this view. The level of imports into the UK economy fell 2.5 per cent in November, the Central Statistical Office said. The volume of imports was 0.4 per cent lower in the three months to November compared with the previous three months.

Hostility to N Ireland assembly may start to ease

By John Kampfner, Chief Political Correspondent

The British government expressed confidence last night that it was beginning to overcome hostility to its plan for elections to a constitutional convention for Northern Ireland.

Ministers held their most intensive series of talks in an attempt to win round the government of the Republic of Ireland and nationalist parties in Northern Ireland to the election idea. It was disclosed by Mr John Major, the British prime minister, after the report of the Mitchell commission a week ago.

Mr David Trimble spent more than an hour with the prime minister discussing details of the convention. Mr Trimble is leader of the Ulster Unionists, the largest pro-British party in Northern Ireland.

"A degree of acceptance is perhaps beginning to be built among those who were first reluctant to embrace this way forward," Mr Trimble said.

His meeting at Westminster with Mr Major followed a four-hour session between Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, and Mr Dick Spring, deputy prime minister of the republic. The ministers agreed to resume contact next week.

Sir Patrick acknowledged that the British government was unlikely to proceed without a firm indication from the Social Democratic and Labour party, the main nationalist party in Northern Ireland, and Sinn Féin, the political wing of the Irish Republican Army, that they would take part in elections and accept seats in the convention.

Using markedly more conciliatory language, Mr Spring said: "The reservations still remain, but at the same time we are prepared to discuss the proposals." He added: "We had an open, honest, and I feel constructive discussion on the obvious differences of emphasis that the two governments have placed on the report."

Sir Patrick said that the original deadline for all-party talks, by the end of the month, was unlikely to be met.

But, with dialogue expected to resume next week with all the main party leaders in Northern Ireland, the emphasis appears to be shifting away from the principle of a convention to the practicalities.

Two jailed and barred from being directors

By John Mason, Law Courts Correspondent

Two company directors convicted of a £38m ($57m) computer leasing fraud were jailed for a total of 8½ years yesterday.

Mr Leonard Bartlett, the former chairman of the ICS Group, a computer leasing company based in Kingston-upon-Thames, south-west London, was sentenced to five years after being convicted of fraudulent trading and other offences. Mr Iain Mackintosh, the company's finance director, was jailed for 3½ years after pleading guilty to similar charges. Each man was barred from being a company director for seven years.

The fraud operated by the two men involved "double-funding" leases. Having leased a computer to a client, the two men would either sell on the leasing agreement to a financial institution, giving ICS immediate part-payment, or use the agreements as collateral for loans.

The leasing agreements would then be dishonestly sold a second time to other financial institutions to raise further money. The money raised by the fraud was used to fund the expansion of the ICS Group into the yacht charter and villa rental businesses. ICS was put into liquidation in January 1991 by its own directors and a police investigation followed.

The judge told Mr Bartlett: "You were riding high, but then the computer leasing market changed overnight . . . you put first your determination to be, and seen to be, a high-flying entrepreneur."

Detective Inspector Peter Woodward, who spent five years investigating the case, said outside the court in London: "This is the largest case of its kind to come to light. Effectively, they were robbing Peter to pay Paul, always hoping for the big break to cover up their dishonesty. But it never came and they found themselves caught in a vicious circle of ever-increasing debt."

A WRITER

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The MALT

IN BRIEF

Two directors at Crédit Foncier quit

Two directors of Crédit Foncier de France, the troubled property lending institution, have resigned and a third has threatened to do so this week following the government's abrupt decision to change the chairman. Page 16

Poland awards GSM mobile phone licences
The Polish government awarded GSM mobile telephone operating licences to two foreign-led consortia which are expected to invest a total of $2bn, including up to Ecu520m ($421m) in licence fees to the treasury, over the next five years. Page 16

Banco Central Hispano slides 42%
Banco Central Hispano, the Spanish banking group, reported a 42 per cent fall in its pre-tax profits to Pta35.6bn ($304m) in 1995. However, it said it was on course for earnings growth, helped by a financial restructuring programme to clean up its balance sheet. Page 16

BankWest shares make buoyant debut
Shares in BankWest, the Australian regional bank which was bought by Bank of Scotland for A$900m (US$666.6m) last year, made a strong debut on the Australian stock market, going to an immediate 22 per cent premium over their offer price. Page 17

Visa and MasterCard forge Internet link
Visa International and MasterCard International, the credit card associations, have agreed to collaborate in creating a system to ensure the security of credit card transactions on the Internet. The US groups said they would publish the technical specifications of the payment system in mid-February. Page 18

Trade Indemnity agrees £177.3m takeover
Trade Indemnity, the UK credit insurer, announced an agreed £177.3m ($273m) takeover by Compagnie Financière SFAC – which would leave the UK credit insurance market controlled almost entirely by foreign-owned groups. Page 19

Misys rises 11% lifted by ACT purchase
Shares in Misys rose 11 per cent after the UK accountancy software group reported a 71 per cent rise in interim pre-tax profits, boosted by the purchase last year of ACT Group. The rise, from £11.2m to £19.2m ($30m), was struck following a more than doubling of turnover to £129.5m in the six months to November 30. Page 19

Florida frost fears lift orange juice market
New York's orange juice futures rose by their daily limits for the second day running yesterday when prices surged on fears that Florida's citrus crop would be damaged by a cold air mass heading for the state. Page 21

Helsinki investors return to forestry stocks
Renewed interest in forestry shares helped Helsinki's HEX index to a new four-week high of 1,781.82 as both foreign and domestic investors indulged in bargain hunting. Turnover was FM414.6m, of which 12 per cent was accounted for in the forestry stocks. Back Page

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko Prf	770	+	20	Air Liquide	938	+	16
Bil & Berg	610	+	21	BIC	585	+	15
Hochtief	703	+	31	Cred Lyon CI	230	+	13
Falls				**Falls**			
BMW	835	–	11	Euro RSCG	485	–	13
Rinadadt	573.5	–	15.5	GTM Entrepose	335	–	14
VEW	492	–	11	Imetal	655	–	27
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
LSI Logic	31⅝	+	3½	Akebono	810	+	30
Tisdan Co	44½	+	3⅞	Xandenka	1410	+	50
US Surgical	25⅝	+	2¼	Lng Trm Cred	820	+	38
Falls				Mashin Oil	887	+	32
Chesapke Engy	44⅝	–	1⅝	**Falls**			
Foundin Hith	39¾	–	4	Dennys Japan	3500	–	200
Nike B	67	–	2⅝	Mitsumi Elec	2330	–	60
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Blue Circle	355	+	11	China Motor Bus	69.5	+	2.0
Hays	537	+	52	Fst Pacific	10.05	+	0.25
Radimac	96	+	13	Guoco Grp	44.8	+	2.2
Trade Indemty	97	+	24	Vertronix Intl	17.15	+	2.4
Falls				Wing Hang Bk	28.85	+	1.6
Celltech	518	–	163	**Falls**			
SRF	182	–	60	HSBC	27	–	1
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Cambior	20	+	1¼	Banpu	666	+	20
Pan Am Silver	13¼	+	1¼	KCE Elec	135	+	12
Scott Paper	27¼	+	1¼	Siagel	192	+	17
Falls				**Falls**			
Fl. Jm Brdcast	11	–	¾	Bangkok Ins	410	–	10
Heriday Petro	9¼	–	⅝	PTT Exp & Prod	276	–	16
Utd Tri Star	5½	–	⅛	Sri Charoen Ind	150	–	10

New York & Toronto prices at 12.30.

Spain refuses to expand Repsol offer

By Tom Burns in Madrid

Spain's socialist government yesterday refused to increase the proportion of shares it is selling in Repsol, the oil, gas and chemical group, in spite of heavy demand from investors.

The sale of 11 per cent of the shares, cutting the government's stake from 21 to 10 per cent, is reported to be 12 times oversubscribed in its UK tranche and the object of "enormous appetite" in the US.

Demand for the domestic retail tranche, which will account for half the issue, stood at about $3.4bn when applications closed last Friday and represented eight times the amount on offer. The government will raise $1.15bn through the 11 per cent sale.

The demand has prompted pressure on the government to increase its disposal to ease the allocation of Repsol paper.

"We are looking at levels of oversubscription that are typical of a hot corporate deal, not of a privatisation," a US banker said.

However Mr Pedro Solbes, economy minister, said yesterday that Repsol was "important and strategic" and that a 10 per cent government stake was "very modest".

Mr Solbes said that despite conditions afforded by the present market sentiment it was "not reasonable to go further now" on the disposal.

Critics of the government's position said it was missing an opportunity and acting "ideologically" in order to appease the left wing of the party before general elections on March 3.

There are fears that Repsol's market rating, which has obstinately trailed that of its oil industry competitors, could continue to be depressed by expectations of a further offering after the completion of the present issue's 12-month lockout period.

The possibility of a total sell-off of Repsol equity has been increased by the prospect of the centre-right Popular Party gaining power in next month's polls.

"Who can be certain that this will the last Repsol offer period?" a London broker said.

An immediate consequence of the demand and of the government's refusal to raise the disposal is that institutions, fearing that they will be allocated far less than they seek, have bought strongly on the market and have sent Repsol's share price soaring.

The maximum price for the domestic retail tranche was fixed on Monday at Pta4,193 and Repsol shares were trading in Madrid yesterday at Pta4,405.

Lex, Page 14

Toys 'R' Us restructures to cut 'clutter'

By Richard Tomkins in New York

Toys "R" Us, the world's biggest toy retailer, yesterday warned that fourth-quarter and full-year profits would be lower than the previous year and said it would take an after-tax restructuring charge of $270m in the fourth quarter.

The US company said the restructuring included closing or franchising 25 stores, 15 of them in the US and 10 in Europe. It also planned big changes in its remaining stores, cutting thousands of slow-moving lines and reducing the range on offer.

Mr Michael Goldstein, chairman and chief executive, wanted to make Toys "R" Us a more "customer friendly" store. "When you clutter up the stores with so many different items, it's very confusing for the customer," he said.

The profit warning and restructuring came as further evidence of the severe competition and poor profitability afflicting US retailers. Last week Wal-Mart Stores, the nation's biggest retailer, announced its first quarterly profit downturn in 25 years as a public company.

Toys "R" Us said the restructuring should position it for more profitable growth, adding at least $50m to operating profits in the year just started and a larger amount in future years. It said expansion would continue in the US and overseas in spite of the store closures.

The shares, long depressed by the group's poor financial performance, jumped $1¼ to $23⅞ in early trading on hopes that the company was putting its troubles behind it.

Toys "R" Us suffered profit declines last year, partly because of increasing competition in the US from big discount store groups and partly because customers were waiting for a new generation of video game machines to appear. The international operations have also failed to live up to expectations.

Last week, it emerged that the Federal Trade Commission was investigating complaints that Toys "R" Us had tried to counter tough US competition by pressing toy manufacturers not to sell their popular lines through discount stores.

Mr Goldstein expected to report fourth-quarter operating profits of about $590m before the restructuring charge, down from $666m last time. For the full year it expected operating profits of about $740m, down from $912m.

Increased model launches have painful financial consequences for US carmakers

It's all in the timing for the Big Three

Motown's three chiefs: (left to right) Alex Trotman, Ford; Robert Eaton, Chrysler; and Jack Smith, General Motors

Detroit has seldom had such an array of gleaming new metal on display. From a new Chrysler minivan to Ford's all-new Taurus saloon – each the biggest seller in its class – dealers' showrooms are bulging with the latest styling and engine technology.

However, with US and European automotive markets under strain, the financial consequences have been painful. The recent model launches have dented Detroit's profits at what should be the peak of its earnings cycle – and raised questions about how well the carmakers handled their product development programmes, pricing and marketing.

In the past few days, Chrysler and Ford posted sharp earnings declines in their core automotive businesses last year. Only General Motors, rebuilding profits in its domestic market and without any big launches, was able to lift its earnings.

At Chrysler, the launch of a minivan wiped more than $1bn off profits in the first half of 1995, taking the shine off the company's reputation for being Detroit's most agile competitor. That increased its vulnerability to attack from a discontented shareholder, Mr Kirk Kerkorian.

It is now Ford's turn to go through a series of big model launches – and to feel Wall Street's displeasure.

Having unveiled the Contour mid-sized car a year ago after development costs of $6bn and the remodelled Taurus in the autumn, which cost $3bn to develop, the US's second-biggest automotive maker is relaunching its F-series pick-up trucks and an Escort and Fiesta in Europe. In all, these vehicles account for 35 per cent of its vehicle sales.

The costs of such changeovers – from the discounts needed to shift the last of the old models to the marketing expense of introducing a new one – have been higher than the stock market or the companies expected.

"Product life cycles are coming down, and changeovers are going to happen more frequently," says Mr Ralph Colello, head of North American auto industry consulting at Arthur D. Little. The carmakers, he adds, must "learn how to do them more quickly and at lower cost".

Mr Dave McCammon, Ford's chief financial officer, says Ford's woes are largely a matter of timing. "GM is yet to come," he says. "They changed only 5 per cent of their model line this year."

That is only part of the story. Ford has chosen to spend heavily to create vehicles with bigger advances in styling and a greater use of new technology.

GM, on the other hand, has made small upgrades on recent new models. "They are sticking with their tried and tested engines, and their vehicle platforms," says Mr Colello. That has made GM's costs lower than those at Ford, leaving it better positioned at a time when US consumers are resisting paying more for cars. "You can't really sell any car these days without some sort of a sale [incentive]," says Mr McCammon. The search for lower prices is "true in other industries as well, not just cars".

GM is preparing a series of product overhauls, though none is likely to be as expensive as the recent Ford introductions. A hint of the likely costs came this week as GM surprised Wall Street with capital spending plans of $10bn-$11bn next year.

Having used its excess cash in the past two years to rebuild its balance sheet and eradicate a large pension fund deficit, GM is planning to plough more into new vehicles and a production base in emerging markets.

Ford can at least point to a good sense of timing. Such big relaunch costs are best faced at the peak of the earnings cycle, says Mr McCammon: "The time to make a lot of changes is when you're strong."

The next two years will test that financial strength to the full. Besides absorbing the changeover costs, the company must bring its product development costs more into line with the rest of the industry. Ford's push to turn itself into a truly global company – a project known as Ford 2000 – will also hang over its earnings.

This week's US interest rate cut should at least give Detroit some breathing space. If the US economy stays on an even keel, most analysts expect new vehicle sales to remain at around the 15m level in the US this year and next. Both Ford and GM plan to use that time to build profit margins through cost-cutting.

Chrysler remains on a different trajectory. Last year, 63 per cent of the vehicles it sold in North America were light trucks – minivans, sports utilities or pick-ups – on which profit margins remain strong. That compares with 56 per cent at Ford and only 39 per cent at GM.

Chrysler earned as much in the final quarter last year as the previous nine months. And with Mr Kerkorian breathing down its neck, that rebound could not have come at a better time.

Ford car seats, Page 18

Richard Waters

US carmakers: net income ($bn)

	1995 Total	1995 Cars & light trucks	1994 Total	1994 Cars & light trucks
GM	6.9	4.0	4.9	2.3
Ford	4.1	2.1	5.3	3.8
Chrysler	2.0	1.7	3.7	3.5

US cars & light trucks: net profit margins*

		1995	1994
GM	US	2.3	0.7
	Int	5.1	5.6
	Total	7.4	6.3
Ford	US	2.5	4.1
	Int	0.7	2.8
	Total	3.2	6.9
Chrysler	Total	3.2	6.7

*After tax, as a percentage of sales. Source: company reports

Spam pioneer looks to UK to add spice to US tastebuds

By Clay Harris in London

The people who brought the world Spam are planning to tempt US tastebuds with something considerably spicier – lime pickle from Lancashire.

Hormel Foods, the Minnesota-based company whose success was built on tinned meat, is linking up with Patak Spices of Haydock, Lancashire, to market and distribute the UK group's Indian food ingredients in the US.

"We're convinced that the next strong potential for ethnic food is Indian", Mr Allan Krejci of Hormel Foods said yesterday.

In recent years, Hormel has stocked its larder with brands such as Chi-Chi's (Mexican), House Of Tsang (Oriental) and Di Lusso, Po River Valley and Terrazza (Italian).

Patak's is the UK's fastest growing brand in the Indian food ingredients market. It had a 26 per cent share at the end of 1995, up from 4 per cent only four years ago.

Over that period, Sharwood's, the market leader which is owned by Tomkins, has seen its share fall from 70 to 50 per cent.

The family-owned Patak group expects turnover to approach £30m this year, a 25 per cent annual rise, according to Mr David Page, managing director.

The company's products include chutneys, pickles, cooking sauces, pastes and pappadums. Exports already account for more than 30 per cent of sales.

The company is headed by Mr Kirit Pathak, whose father founded it in 1957, soon after arriving in the UK from Kenya. Mr Pathak was in South America yesterday on one of his frequent trips to look for ingredients. His wife, Meena, oversees the development of new recipes.

The joint venture with Hormel is intended to give Patak's products greater penetration of US supermarket chains. It is likely to be supported by advertising.

But what about a joint promotion, say, for Spam curry?

Newforge Foods, which makes Spam in the UK under licence from Hormel, said yesterday it did not recall ever having encountered a recipe. Neither had Mr Krejci of Hormel. Mr Page thought he had, but he could not remember where.

It is only a matter of time.

ABS market lifted by novel deals

By Conner Middelmann in London

Europe's fledgling market for asset-backed securities received two fillips yesterday with innovative transactions for the Birmingham Midshires Building Society and Germany's Volkswagen.

Volkswagen issued DM500m ($336m) of bonds backed by car lease receivables. It was only the second asset-backed deal issued in Germany and the first backed by car leases.

The £1bn ($1.5bn) Birmingham Midshires offering was the first residential mortgage-backed transaction sponsored by a UK building society.

It was also the largest asset-backed security issued outside the US, according to NatWest Markets, the arranger.

Asset securitisation enables banks or companies to take loans off their balance sheets, thereby freeing up capital and removing the risk of default.

This is achieved by placing the assets in a special-purpose vehicle which raises money by selling securities to investors. Principal and interest payments on the mortgage-backed or asset-backed securities are funded by the loan repayments.

The US market for asset-backed securities has grown increasingly rapidly since the mid-1980s and issuance reached record volumes last year with more than $100bn in securities.

Securitisation has been slower to take off in Europe, largely because of the lack of large, homogeneous pools of assets. Moreover, the UK mortgage-backed market, an important growth sector in the 1980s, has slumped in line with the country's property market.

However, many market participants are forecasting continued, albeit slow, growth, spurred in part by strong investor demand for high-quality floating-rate paper offering yields above the London interbank offered rate (Libor).

The Birmingham Midshires issue is the largest sterling-denominated floating-rate note outside the UK government bond market.

The terms of the Volkswagen offering specify, among others, that the leases must have been originated in the former West Germany. The paper was likely to be rated triple-A by Moody's and S&P, Deutsche Morgan Grenfell, lead manager, said.

Capital markets, Page 22

EUROPEAN NEWS DIGEST

Rise in metal prices triples Elkem profit

Higher metal prices powered a strong upturn in profits at Elkem of Norway last year, enabling the light metals producer to propose a tripling of its dividend to NKr4.50 a share. The group said the rise in pre-tax profits from NKr308m to NKr1.08bn ($166m) – slightly better than analysts had expected – was mainly attributable to substantially higher prices for aluminium and ferrochrome. However, it also highlighted good contributions from its energy division and associated companies.

Net sales grew 7 per cent from NKr8.7bn to NKr9.3bn, while operating income rose from NKr472m to NKr1.13bn. Ferroalloys increased operating income from NKr247m to NKr553m, while aluminium lifted income from NKr146m to NKr295m. Fourth-quarter profits rose from NKr110m to NKr346m. *Christopher Brown-Humes, Stockholm*

Reemtsma in Polish acquisition

Poland yesterday completed the privatisation of the bulk of its tobacco sector with the sale of a controlling share in WWT Poznan to Reemtsma, the German cigarette producer, for $145m. The agreement foresees Reemtsma investing $45m in WWT Poznan, which controls 25 per cent of Poland's domestic tobacco market. Reemtsma has also said it will build a plant outside Poznan to replace the existing facility, which will more than double the present three-year investment commitment.

Under the agreement with Reemtsma, the German company will receive 33 per cent of the equity immediately and a further 32 per cent once its $45m investment commitment is fulfilled. The deal follows the government's sale this week of a controlling share in the Krakow tobacco company to Philip Morris for $227m and comes after last year's sale of plants in Radom and Augustow to Seita of France and BAT Industries of the UK, respectively. *Christopher Bobinski, Warsaw*

Pechiney sell-off snags revealed

The difficulties involved in the recent privatisation of Pechiney, the French aluminium group, became apparent yesterday when the company announced that AGF, the French insurance group, BNP, the French bank, EdF, the electricity company, Caisse des Dépôts et Consignations, the state financial institution, and CS Holding of Switzerland together had holdings of about 20 per cent in the group. The French state had kept 11.5 per cent as expected.

The Pechiney sell-off was originally intended to be the first without such core shareholders. However, the privatisation was only 1.25 times oversubscribed even though the offer was scaled back. The shares fell more than 6 per cent on the first day of trading despite intervention by Société Générale, one of the lead banks. Other members of the syndicate included BNP, Lazard and Goldman Sachs. *Paul Abrahams, Paris*

Euro RSCG in shake-up

Euro RSCG Worldwide, Europe's largest communications company, in which Havas of France holds a 38 per cent stake, yesterday announced a sweeping reorganisation which included the renaming of the group as Havas Advertising. Havas has been increasing its stakes in companies in which it has taken minority and majority holdings. However, it said yesterday it would not raise its Euro RSCG investment. The reorganisation involves the creation of four divisions.

Mr Alain de Pouzilhac, Havas Advertising's chairman, said the restructuring was aimed at allowing the group, the world's seventh-largest communications company, to compete in an increasingly international environment. *Paul Abrahams*

Banco di Napoli to proceed with disposals

By John Simkins in Milan

Banco di Napoli, one of Italy's oldest and largest banks, has taken an important step towards resolving its cash problems by breaking a deadlock on the disposal of loss-making branches.

The bank's board decided late on Wednesday to put 50 branches in northern Italy up for sale and close a further 20 small branches in the south, where the 450-year-old bank has traditionally been strong.

The move represents a victory, if not in every detail, for the rescue plan proposed by Mr Federico Pepe, managing director, who has clashed with board members led by Mr Carlo Pace, the chairman.

The rescue plan had called for the disposal of 77 northern branches to produce about a quarter of the estimated L3,000bn ($1.25bn) of new capital needed at the bank.

Banco di Napoli has suffered from heavy exposure to small and medium-sized companies in southern Italy and reported losses of L1,560bn in the first half of 1995.

After months of deadlock, during which the board gave only partial approval to Mr Pepe's plan, the Italian central bank and the charitable foundation which controls Banco di Napoli pressed the board this week to reach a decision on the branch closures.

The board decided to keep branches in the northern cities of Milan, Bologna, Venice and Florence to maintain the bank's profile as a national bank. The success of the plan largely depends on whether the northern branches are sold, as opposed to closed.

Although they are in deficit, several are in prime sites and would attract other banking groups with roots in the area.

The disposals will allow the bank to improve its balance sheet and make it more attractive to potential partners prepared to underwrite a capital increase and possibly take majority control.

The Boston Consulting Group has also been brought in to advise on improving the bank's efficiency.

Two directors at Crédit Foncier resign

By Andrew Jack in Paris

Two directors of Crédit Foncier de France, the troubled property lending institution, have resigned and a third has threatened to do so this week following the government's abrupt decision to change the chairman.

Their actions have raised questions about the way the French state has managed the recent difficulties at Crédit Foncier, and posed an additional challenge for Mr Jérôme Meyssonnier, the new chairman, who will begin work next week.

Mr Jean Peyrelevade, head of Crédit Lyonnais, the state-owned bank, stated his intention to resign at a board meeting of Crédit Foncier on Wednesday, although he has not yet confirmed his decision in writing.

He is believed to have been frustrated because the replacement of Mr Jean-Claude Colli, the existing chairman or "governor", halfway through his mandate, was made by the state without consultation with the board members.

It is also thought he believes the current problems of Crédit Foncier are largely the fault of the government, notably its decision last autumn to abolish the PAPs, a state-backed low-income housing loan scheme which represented a high proportion of the company's business.

Mr Charles de Croisset, chairman of Crédit Commercial de France, the quoted banking group, formally resigned, in a move believed to be related to his view that the board did not function in a way typical of those in the private sector.

The decision raises questions about Crédit Foncier's peculiar legal status as a "specialist financial institution", in which the government holds no shares but has the power to appoint the senior directors because of their public interest role in distributing PAPs.

Mr Antoine Jeancourt-Galignani, chairman of Assurances Générales de France, also resigned this week; although stressing his decision related to a conflict of interest between Crédit Foncier and Comptoir des Entrepreneurs, the property institution of which his group takes control of this month.

In addition, it emerged yesterday that Mr Jacques Friedmann, chairman of Union des Assurances de Paris, the quoted insurance group, had also resigned from Crédit Foncier's board last December, in a move believed to be related to his decision that he held too many directorships.

Of the remaining directors, three are former heads of Crédit Foncier, one is a member of staff, and one – from Banque Nationale de Paris – is from the private sector.

Poland awards GSM mobile phone licences

By Christopher Bobinski in Warsaw and Anthony Robinson in London

The Polish government yesterday awarded GSM mobile telephone operating licences to two foreign-led consortia which are expected to invest a total of $2bn, including up to Ecu520m ($421m) in licence fees to the treasury, over the next five years.

The winning consortia are; Polkomtel, a group of powerful Polish companies together with Air Touch International from the US and Tele Danmark; and another Polish group headed by Polska Telefonia Cyfrowa (PTC), which is backed by US West and Deutsche Telekom.

The two winning consortia who took part in the tender offer will each have to pay Ecu101.5m initially as a licence fee and then make annual payments over five years depending on the number of subscribers. The sum of licence payments over the period will run to Ecu520m.

Under Poland's telecommunications law foreign participants in the consortia are limited to no more than 49 per cent of the equity. Both groups are expected to invest around $1bn each in licence fees and capital equipment.

The losing consortium was headed by Ciech, a Polish chemicals and pharmaceuticals trader which had linked up with Stet of Italy. It was the sole other bidder in the tender for the two licences. The outcome marks another setback for the Italian group, which recently lost its bid for 25 per cent of Svyazinvest, the Russian telecoms company, and also failed to gain a stake in the Czech and Hungarian telecoms privatisation programmes depite putting in higher bids than the winning consortia.

All three Polish consortia are amalgams of powerful local companies and foreign telecom companies.

Polkomtel's main local shareholders are Polska Miedz, the highly profitable state-owned copper producer which is scheduled to be partially privatised this year, and Plock, Poland's biggest oil refinery company which is currently in the midst of a modernisation programme totalling more than $1bn.

BCH upbeat despite 42% profits decline for year

By Tom Burns in Madrid

Banco Central Hispano, the Spanish banking group, yesterday reported a 42 per cent fall in pre-tax profits to Pta25.6bn ($204m) in 1995.

However, it claimed it was on course for earnings growth, helped by a financial restructuring programme to clean up its balance sheet.

The result, which was in line with forecasts made by the group's chairman, Mr José María Amusátegui, in December, followed the allocation of Pta134bn to provisions for bad and doubtful debts and Pta95.4bn to cover loan portfolio and property risks.

A further move to clean up the balance sheet was a 40 per cent reduction for the second year running in the group's annual dividend. The cut brought BCH's 1995 payout, also drawn from reserves, down to Pta75.

BCH is understood to have undertaken its ambitious financial restructuring programme in close consultation with the Bank of Spain, which examined the bank's business last year.

The implementation of the programme reduced the attributable net profit for the consolidated group by 62 per cent to Pta12.4bn.

BCH said 1995 had marked the "definitive completion" of the 1991 merger between Banco Central and Banco Hispanoamericano that had created the banking group.

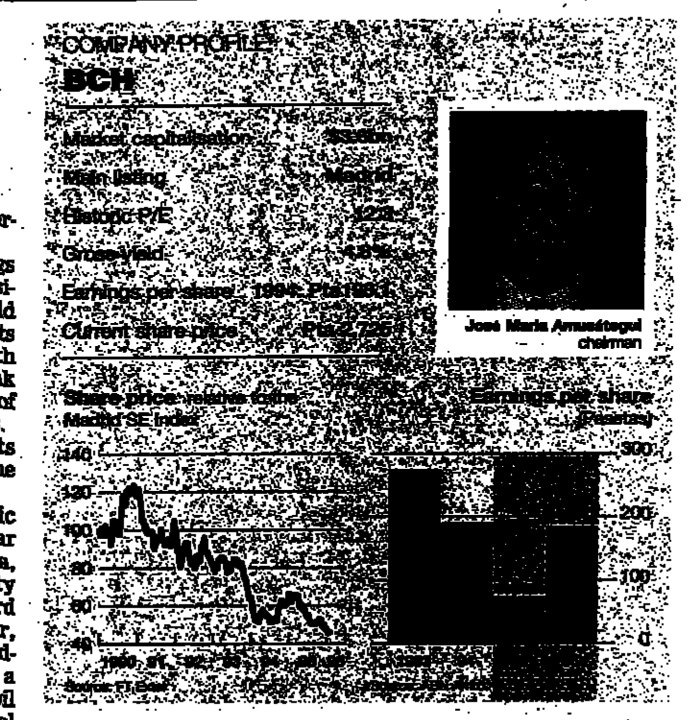
It said the provisioning programme had allowed an 87 per cent coverage of bad and doubtful debts in 1995, 11.4 per cent up on the 1994 coverage.

Analysts said that earnings growth at BCH was now possible. "In a best scenario it could report attributable net profits of Pta65bn in 1998, in line with its competitors in the big bank sector," said Mr Juan Cueto, of Madrid brokers Ibersecurities.

Net attributable profits exceeded Pta69bn in 1991, the year of the group's merger.

● A comprehensive strategic alliance announced last year between BCH and Endesa, Spain's dominant electricity generator, took a step forward yesterday when Endesar, Endesa's diversification subsidiary, said it would acquire a 5.62 per cent stake in the oil group Cepsa which it will pool with BCH's Cepsa shareholding.

The banking group is building up its stake in Endesa, and BCH and Endesa are planning to syndicate their shareholdings in the electricity utility, mobile telephony and media sectors.



Milan bourse ready for EU reforms

The Italian government has circulated a draft decree in the financial markets which has important implications for the Milan stock exchange as it prepares for competition in accordance with the European Union directive on opening up investment services.

The decree is required to implement the directive, which enables banks and securities houses to trade in other countries' stock markets, and is known in Italy as the Eurosim.

The directive was passed into law by the Italian parliament last week as part of a jumbo bill implementing about 90 European Union directives introduced over a year ago.

At issue, in particular, is reform of the stock exchange – changing it from a public into a private institution and giving it responsibility for its budget – and how Consob, the stock market watchdog, or Banca d'Italia, the central bank, will divide regulatory responsibilities. The draft decree is the fruit of a Treasury committee steered by Mr Mario Draghi, the director general.

It is expected to become effective within one month, and may lead to the central bank taking responsibility for fluidity of the market while Consob oversees foreign and domestic operators.

However, the Treasury has told Consob and the central bank that provisions in the EU directive regarding cross-frontier trading can be implemented as soon as Consob sends to other market authorities a list of the markets regulated under EU law.

Italian banks and brokers seeking to operate abroad must also have the list. Consob has yet to despatch this information. Although several foreign security houses have expressed interest in trading in Italy, few Italian securities houses, known as Sim, have pressed for reciprocal rights abroad.

The stock exchange in Italy, the sixth largest in Europe, is out of step with other stock markets in that Consob not only regulates the Milan *borsa*, but also has overall responsibility for the running of the market and decides on companies to be listed. The *borsa* board, moreover, is appointed by the Treasury and its members include representatives of the central bank and Consob.

Exchange officials believe the stock exchange needs an effective private structure – preferably as a public company with shareholders – in order to devolve a successful competition strategy. They think regulatory controls of market operators should not be too rigid.

The debate comes as the *borsa* is about to complete a programme of modernisation set in motion by the 1992 law setting up the Sim. Trading in equities was fully automated in 1994, and the trading floor in Palazzo Mezzanotte, the exchange headquarters, finally closes this month.

By February 16, there will be five-day cash settlement of all stocks, intended to reduce speculation, and on February 19 an options market will open in individual shares, starting with six blue-chip stocks.

By coincidence, the exchange board, led by chairman Mr Attilio Ventura, completed its three-year term at the end of January. As the *borsa* structure still has to be defined, the board will continue in office for a further 45 days, as provided for in law.

John Simkins

Service central to Paribas forex move

Trading need not be spread across the globe, writes **Philip Gawith**

Customers generally worry more about the quality and value of goods they buy, than where they come from. So, too, with a commodity product such as foreign exchange, which is why Banque Paribas has no qualms about its recent decision to move its foreign exchange trading operations from London to Paris.

The move is the latest example of the trend for banks to centralise their trading activities, often in each time zone. It is no longer considered necessary to try to make prices in all currencies in all centres.

The pattern has been to centralise the trading function – with regional offices often confined to making prices only in the domestic currency – and centralise the sales and marketing side, with prices sourced out of one of the hubs.

These developments have been made possible by technological advances such as open telephone lines, which make it possible to service customers adequately from the centre.

Mr Julian Simmonds, head of global foreign exchange at Citibank, compares the logic of hubs with buying a Mercedes-Benz car. "You expect comfort, safety, performance and after-sales service. You don't lift up the bonnet and check every component is made in Germany. It doesn't matter to you so long as it looks, feels and drives like a Merc.

"The same goes with foreign exchange. Where the price comes from is our business. The customer doesn't care if it is made in New York, Frankfurt or London."

This freedom allows banks to decide how to generate prices in a way which most suits their business. In Paribas' case, the bank felt the best way of making internal cost savings, and lifting profitability, was by making Paris the centre of its European trading activities.

It is bucking one trend by choosing Paris over London, which is the world's largest foreign exchange market, with better liquidity than other centres. Other large European banks such as Swiss Bank Corporation (now SBC Warburg) and Deutsche Bank chose to run their foreign exchange operations from London.

Paribas says its decision is more a function of the bank's own internal structure, rather than any comment on the respective merits of the London and Paris markets.

While the logic of hubs is normally explained in terms of internal efficiencies, there are other motivations. Increasingly, for example, European customers deal through London because of its superior liquidity and because a large London dealing room sees diverse trading flows which customers are interested in.

'Rather than seeing liquidity seep away from 37 centres, you mop it up into four' – Deutsche Bank

Banks benefit from centralising liquidity, because it gives them a better grasp of flow information, which can be the source of profitable trading.

Hubs can help a bank use the flow information it has to best advantage in establishing relationships in the market. This was part of the reasoning behind Deutsche's decision to create four trading hubs from a structure of 37 dealing rooms.

Mr Michael de Sa, head of global foreign exchange at Deutsche Bank, says: "Rather than seeing liquidity seep away from 37 centres, you mop it up into four centres. We were not getting a proper return. We were giving out liquidity, but not getting it back. You need relationships with banks who will return liquidity in difficult conditions."

All leading foreign exchange banks have taken similar measures. Barclays, for example, has cut down from 19 active dealing centres to nine, at the wholesale end of the market. Dealing rooms in places such as San Francisco and Auckland have been closed.

There are limits, however, to how far the philosophy can be taken, with customer resistance a factor. Mr Rob Loewy, head of foreign exchange at HSBC Markets in London, says: "You still have to service a number of core customers locally. There is still enough competition that you can't just close up shop and refer them to London."

Hubs can mean different things to different people. Some banks establish hubs, then fly into regions to service customers. Others avoid the temptation to cut costs by keeping regional offices open.

Mr Simmonds of Citibank says: "You don't have to have world class traders all over the world, but you do need to have world class sales people everywhere."

Strong debut for BankWest with 22% gain

By Nikki Tait in Sydney

Shares in BankWest, the Perth-based regional bank which was bought by Bank of Scotland for A$900m (US$671.6m) last year, made a strong debut on the Australian stock market, going to an immediate 22 per cent premium over their offer price.

BankWest shares opened at A$2.515, and reached a high of A$2.74 at one stage. They closed at A$2.58, a level which capitalises the bank at A$1.12bn.

The increased capitalisation places it within the Australian Stock Exchange's top 50 companies.

During the first two hours of trading, around 30m shares – almost 7 per cent of the equity – changed hands.

The shares had been expected to go to a premium after there was heavy demand from investors for the 49 per cent of the bank's equity which Bank of Scotland agreed to float on the stock market when it bought the institution from the Western Australian state government.

However, the closing price was at the upper end of pre-float estimates by analysts.

The successful launch of BankWest on the stock exchange may help to dissipate some of the scepticism in the UK which surrounded the Bank of Scotland purchase last year – although this probably owed something to the strong share performance of the Australian banking sector generally in recent weeks.

Yesterday, Mr Warwick Kent, BankWest's managing director, said that the launch "augured well for the future of the bank's success", but added that "one has obviously to be cautious at this moment".

"We were helped by the strength of the banking sector, but we have no reason to change our forecasts in the prospectus," he said.

● Moody's, the US ratings agency, has upgraded the debt ratings of Westpac, the large Australian bank, saying that this was based "on the soundness of Westpac's asset quality and on the improvement in its controls and systems, which enhance its prominent domestic franchise."

The long-term debt rating at the bank, which in the early 1990s was hit by bad debts and an ailing property portfolio, is raised from A1 to Aa3.

The upgrade came a day before the bank faces "stop-work" meetings, affecting some 17,000 employees around Australia over a wage claim.

Sharp profits reverse for Thai stockbroker

By Ted Bardacke in Bangkok

Phatra Thanakit, Thailand's third largest finance and securities company in terms of assets, announced that 1995 net profit fell 20 per cent compared with 1994, to Bt1.91bn ($75.4m). Full financial figures were not released.

Analysts attributed the profit decline to a 34 per cent fall in brokerage revenues due to lower market turnover, and a fall in market share from 6.7 per cent to 5.5 per cent. This drop occurred partly as a result of a loss of business from S.G. Warburg after it was acquired by Swiss Banking Corporation, which owns 40 per cent of a competing Thai finance company, Premier.

Net interest income at Phatra also declined about Bt200m, analysts said. Profit growth would have been stronger in 1995 had there not been substantial exceptional gains in 1994 due to real estate disposal, they added.

The company said it would pay a six-month dividend of Bt1.90 a share for the period ended December 31.

Asset sales at Pancon to raise A$400m

By Nikki Tait

Pancontinental Mining, the Australian mining group, is to raise more than A$400m (US$300m) from the sale of its non-gold mining assets – with the bulk of these going to Renison Gold Fields, in which Hanson of the UK has a 40 per cent stake.

The sale follows the takeover of Pancon by Goldfields, a new company formed by Renison last year. Originally, once the bid was completed, Renison intended to transfer its own gold assets plus those of Pancon to Goldfields, and then move Pancon's non-gold assets into its own portfolio.

But the bid was bitterly contested and Goldfields only obtained a 87.6 per cent stake in its target. This meant that it could not mop up minority shareholders and the non-gold assets could not automatically be transferred to Renison.

Instead, Goldfields was obliged to put Pancon's non-gold assets up for auction, and Renison was forced to submit competitive bids.

Yesterday, Pancon said that, as a result of the auction, it expected to sell its Thalanga zinc/copper/lead mine to Renison for A$120m, and its 5.56 per cent interest in the Central Queensland Coal Associates and Gregory Coal joint ventures to the same buyer for A$232m.

Two smaller interests – the Lady Loretta base metals project and the Wodgina tantalum joint venture – will be sold to Triako Resources and Sino Mining International respectively. The prices would be A$28.5m for Lady Loretta, and A$5.2m for Wodgina.

The remaining interest for sale was a 40 per cent participating stake in the Queensland Magnesia joint venture, at Kunwarara. Pancon said three interested buyers had been shortlisted, but that the bid deadline had been extended to March.

Pancon will use the sale proceeds to repay debt – put at A$164m at end-December, net of any cash – and then distribute remaining funds among its shareholders.

Fujitsu now second in Japan's PC league

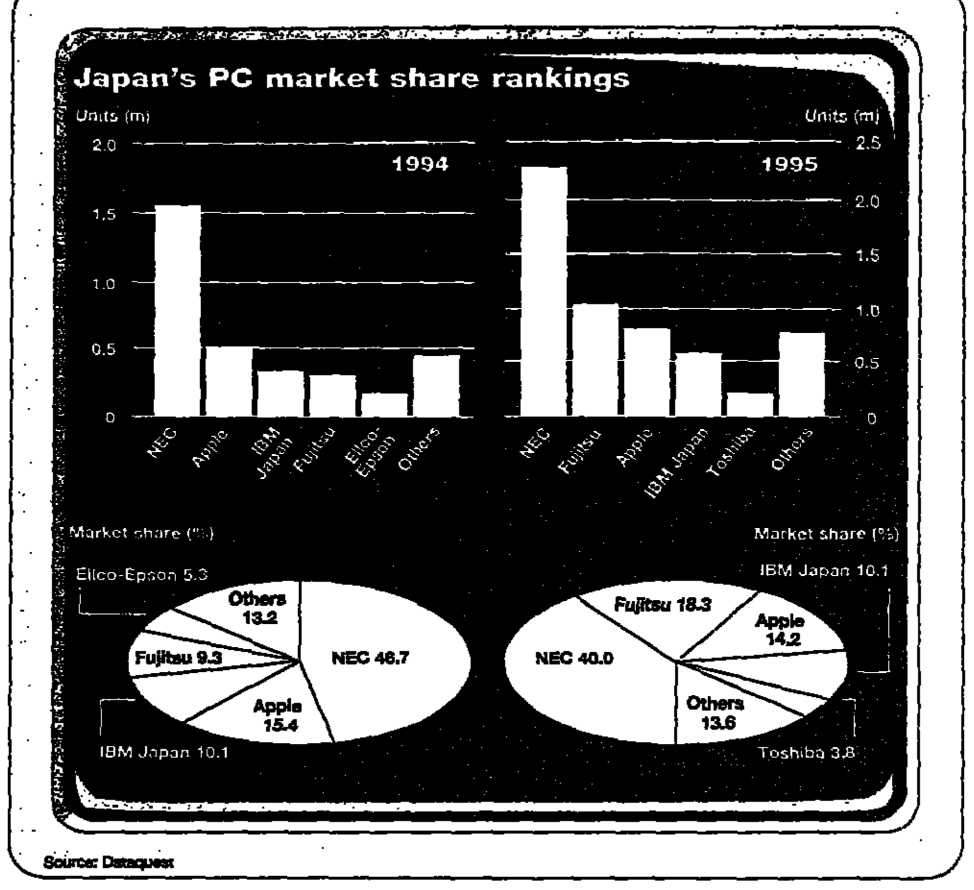
Survey shows the company has doubled its share of the domestic market, overtaking US groups IBM, Compaq and Apple, reports Michiyo Nakamoto

A sea-change is occurring in Japan's personal computer industry as the domestic market is transformed from one of the most underdeveloped among industrialised countries to one of the fastest growing in the world.

Last year, amid a 71 per cent increase in Japanese PC shipments to 5.71m units, Fujitsu pushed aside aggressive US companies such as IBM, Compaq and Apple, to win the second largest share of the market after NEC.

According to a survey by Dataquest, the US high-tech consultancy, Fujitsu doubled its share of the Japanese market from 9.3 per cent in 1994 to 18.3 per cent last year. NEC, meanwhile, lost 6.7 points to 40 per cent, Dataquest reports. However, the survey's findings are hotly contested by NEC, which denies that its market share has dipped below 50 per cent.

Nevertheless, the Dataquest report highlights the undeniable rise of Fujitsu in the domestic PC market and its clear ambition to catch up with NEC – which long reigned unchallenged – if not overtake it.



Source: Dataquest

Although it is Japan's largest computer manufacturer, Fujitsu had been a somewhat uninspiring player in the PC market. But the company has made no secret of its urgent goal to become a market leader.

"If we're not a leader in this business, which is the fastest growing part of the computer industry, we can't be a leading computer company," said a Fujitsu spokesman. "This is survival for us."

The company surprised the industry by taking two bold steps.

First, Fujitsu swallowed its pride two years ago by abandoning its own proprietary PC architecture for an IBM-compatible format.

The Japanese company has always been proud of its engineering prowess to the point of arrogance.

But the choice facing the company was one between sticking to a proprietary architecture, which raised costs significantly above those of US computer makers producing for a world market, and adopting a global standard for which components could be bought off-the-shelf.

Fujitsu chose what it saw as the necessary road to survival over its pride.

The second step Fujitsu took in pursuit of its objective was to launch a massive price offensive.

Dataquest notes that this strategy made the company the price leader in the Japanese market last year and calls it "the Fujitsu shock", after the "Compaq shock" of 1993 when the US company launched a similar price-cutting campaign worldwide.

Fujitsu also attracted buyers by becoming the first in the Japanese market to pre-bundle a wide range of software with its PCs, such as software to sign-up to its own network and to the Internet, word processor software, spreadsheets and games.

At the same time, Fujitsu moved aggressively to boost its PC manufacturing capacity and sales force.

Last year, it tripled capacity as well as the number of its sales channels.

These efforts have paid off handsomely in terms of unit sales. Fujitsu more than tripled unit shipments from 310,000 in 1994 to 1.05m last year, according to Dataquest.

Fujitsu says its PCs are sold at break-even prices, although it admits that these calculations do not take in to account the heavy investments involved in building up its PC business.

The company reckons that in order to maintain a healthy PC business it needs gross margins of at least 20 per cent, so it plans to double production capacity and sales outlets this year.

That would mean that in just three years Fujitsu will have become a significant threat to NEC, which in 1994 sold more than five times as many PCs as did Fujitsu, according to Dataquest.

By last year, Fujitsu had sold 1.05m units, or just under half of the 2.28m units NEC sold, according to Dataquest.

'If we're not a leader in this business, which is the fastest growing part of the industry, we can't be a leading computer company'

Mr Dean Perry, industry analyst at WestLB Securities Pacific in Tokyo, believes Fujitsu could take a 30 per cent market share in fiscal 1996.

But leadership in the Japanese PC market is not the final goal for Fujitsu.

"PCs are a thankless business with razor-thin margins," said a Fujitsu spokesman.

But PCs are crucial to Fujitsu because of what they provide the company in its other, more profitable businesses, namely infrastructure and network products.

As PCs spread among consumers, demand is growing for servers, which are used in corporate offices and in networks, and for mainframes. Fujitsu is a leading manufacturer of both products. It has an advantage over competitors if it is able to offer PCs, servers and mainframes as a package to corporate customers.

More PCs also mean more demand for system engineers, of which Fujitsu has 20,000 on its payroll, according to the company.

In addition, corporate demand for use of its network, Nifty-Serve, which is a joint venture with Nissho Iwai, a trading company, has been strong.

The largest network in Japan, Nifty-Serve itself is a $200m to $300m business with gross margins of 30 per cent and is expected to grow even more strongly this year.

In the home market, the spread of PCs helps Fujitsu sell its services, network, peripherals and software.

Just as important, the PC business also provides Fujitsu with information on how people are using their PCs, which in turn gives it knowledge of how to develop its other computer and network businesses.

Fujitsu's ambitions are not restricted to Japan. "This is the first full year that we will attack world markets," according to Fujitsu.

It has already started its offensive in Europe with ICL, its UK subsidiary. The two companies are also jointly building up business in the Asian market outside Japan.

This year, Fujitsu plans to expand its PC business in the US market, which will no doubt be its toughest test.

To date only Toshiba among Japanese computer makers has made a mark in the US.

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Kmart launches stock shake-up

Kmart, the struggling US discount store group, yesterday announced a merchandising shake-up in an attempt to get more attractive products on its shelves. As part of the reorganisation, it said Ms Michele Fortune, general merchandise manager for ladies' apparel and fashion accessories, and Mr William Parker, general merchandise manager for home decor, were leaving "to pursue other interests".

Kmart is suffering from acute financial difficulties because of its failure to compete with Wal-Mart Stores and other, more successful, discount store groups. Mr Floyd Hall, who was brought in as the new chairman and chief executive last year, has been criticised for not acting quickly enough to turn the company round.

With the restructuring, Kmart's general merchandise managers for softlines, hardlines and consumables will report to Mr Warren Flick, general merchandise manager for Kmart's US stores. *Richard Tomkins, New York*

Whirlpool tumbles 81%

Whirlpool, the US white goods manufacturer, confirmed its gloomy forecast for the fourth quarter with an 81 per cent slump in net earnings to $18m, or 25 cents a share, on sales unchanged at $2.1bn.

The company said it expected "solid improvement" this year, but warned of a lower year-on-year comparison in the first quarter.

Whirlpool said it expected a 1 per cent rise in industry shipments in the US this year, and continued strong demand in Asia and Latin America. In Europe, it expected higher margins, despite economic sluggishness, because of re-designed products and cost savings.

For the full year, earnings were $209m, or $2.80 a share, down 37 per cent before exceptional items. Sales were up 3 per cent to $8.4bn. Whirlpool's shares rose $1¾ to $56⅝ in early trading. *Tony Jackson, New York*

Accountants plan new arm

Deloitte Touche Tohmatsu International, the global accountancy organisation, yesterday took the first step towards developing a global consultancy arm from within its own ranks. Deloitte & Touche in the UK will link its consultancy practice with Deloitte & Touche Consulting Group in the US and Canada.

Mr Pat Laconto, who will head the new global consultancy of Deloitte & Touche Consulting Group, said consultancy practices in Europe, Australia, South Africa, and the Pacific rim would follow within two years. The combined revenues of the global organisation's consultancy arms in 1995 were $1.4bn.

The move is primarily in response to clients' requests for consultancy services to operate across borders. The new structure, which will eventually place all consultancy partners in the same global profit pool, may also protect the new firm from legal claims made against the audit and accounting side of the business. *Jim Kelly, Accountancy Correspondent*

Light auction rescheduled

Brazil's National Privatisation Council (CND) has rescheduled the privatisation auction of federal power distributor Light to April 18 from a March 13. The CND, a government body, had been widely expected to postpone the auction in response to concerns from investors who have said they need more time to muster the necessary cash for what should prove Brazil's biggest privatisation to date. *Reuter, Rio de Janeiro*

Credit card groups to co-operate on Internet security

By Louise Kehoe in San Francisco

Visa International and MasterCard International, the credit card associations, have agreed to collaborate in creating a system to ensure the security of credit card transactions on the Internet.

The move is expected to accelerate the development of electronic commerce and bolster consumer confidence in the security of shopping in cyberspace.

In agreeing to a single standard, Visa and Mastercard have resolved a dispute that surfaced last September when each separately announced its own approach to processing credit card payments in cyberspace.

Visa has been working with Microsoft, the world's largest software company, to create a method of encrypting credit card numbers as they are transmitted over the Internet, while Mastercard has partnered with Netscape Communications, the leading Internet software provider.

The two groups will now join forces to develop a single standard.

This will enable consumers and merchants to conduct bank card transactions in cyberspace more easily, they said yesterday.

Visa and MasterCard said they would publish the technical specifications of the payment system, called the Secure Electronic Transactions specification, in mid-February and make the software code freely available shortly afterwards.

"This is the first step in making cyberspace an attractive venture for banks and merchants," said Mr Edmund Jensen, president and chief executive of Visa International.

"A single standard limits unnecessary costs and builds the business case for doing business on the Internet."

The card associations will separately conduct tests of SET with consumers, merchants and financial institutions, followed by a joint test.

Netscape shares drop after Internet buy

By Louise Kehoe in San Francisco

Shares of Netscape Communications, the US Internet software company, dropped $12 to $152¾ in early trading yesterday, despite reporting an 85 per cent jump in fourth-quarter revenues.

The share fall may have been influenced by the dilutive effect of an acquisition, announced late yesterday. Netscape is to acquire InSoft, a developer of audio and video software for the Internet, for newly-issued shares valued at about $150m.

Netscape's revenue growth was fuelled by rapid growth in business use of the global Internet and internal corporate "Intranets" based on the same software.

Completing its first full year of operations, the company reported fourth-quarter revenues of $40.6m, up from $22m in the third quarter.

In the same period a year ago, before Netscape began selling most of its current products, it recorded revenues of $1.2m.

Net income for the fourth quarter of $2.4m, or 6 cents a share, compared with $600,000, or 2 cents, in the previous quarter. For the same period a year ago, the company recorded a net loss of $7.5m, or 22 cents.

The company reported a net loss for the year of $3.4m, or 9 cents, on revenues of $80.7m.

The results included a charge of $2m related to the acquisition of Collabra Software, another Internet software company.

Without the charge, fourth-quarter income would have been 10 cents a share, well above analysts' projections of about 5 cents.

The InSoft purchase will enable Netscape to expand its product portfolio quickly, said Mr Jim Barksdale, president and chief executive, and Netscape's high share price makes it an "attractive trading currency".

"Netscape has shown tremendous growth in its first full year of product shipments, becoming what we believe to be one of the fastest-growing companies in history based on first-year revenues," Mr Barksdale added.

About two-thirds of Netscape's fourth-quarter revenues came from corporate customers, Mr Barksdale said.

The business market for Internet software is "really beginning to take off," he added.

Johnson Controls near Ford 'world car' deal

By Peter Marsh

Johnson Controls, the US maker of car seats, is close to winning a contract to make seats for a new Ford "world car" that could be worth up to $600m a year.

News of the contract to supply the Ford CW-170 project – a replacement for the company's Escort models, currently made to different designs on either side of the Atlantic – comes as Johnson attempts to inch ahead of Lear Seating, its rival in the seat market.

Both companies have annual sales in car seating and related products, such as plastic roof linings, of about $4bn a year. That puts them among the top 12 automotive suppliers worldwide.

The seats for the CW-170 project would be made from about 1998. They would be produced largely in existing Johnson plants in North America and Europe.

Including joint ventures, Johnson has 11 factories in Britain, where the company employs about 3,000 people – out of a European workforce of roughly 7,000. Johnson's UK factories could be responsible for almost a quarter of the entire CW-170 seat output.

Johnson and Lear between them account for roughly half the $16bn-a-year car seat manufacturing industry in North America and Europe. Each company claims number one position.

Their combined share of the seat "outsourcing" market in North America and Europe – that section of the industry which is controlled by independent seat makers as opposed to the car companies themselves – is put at about 70 per cent.

In recent years, Johnson has established strong links with Ford in Europe, winning a contract to supply seats to existing versions of Ford's Fiesta and Escort models made in the UK, Germany and Spain.

Ford would not comment on the contract for the CW-170, expected to be made to the same basic design in North America and Europe. However, an automotive industry official close to the discussions said: "Johnson has as good as won the contract." The deal is expected to be concluded in the next few months.

Since the mid-1980s, most car companies have switched from making virtually all their seats themselves to contracting out a large part of the job. The switch has given both Johnson and Lear the opportunity for rapid sales growth, helped by an aggressive acquisition strategy by both companies.

Last year, Lear bought Automotive Industries, a US supplier of interior trim products which are seen as complementary to seating, for $926m. Johnson recently paid an estimated $180m for a 75 per cent stake in Roth Frères, a large French seat maker which is a big supplier to Renault.

Lear has put particular emphasis on expanding in emerging markets for cars, in South America and in eastern Asia outside Japan.

In an interview, Mr Ken Way, Lear chairman and chief executive, said he hoped that by 2000 the company would have sales in these regions of about $700m a year, a roughly fivefold increase on the current position.

Brazil plans to raise non-ferrous potential

A disparate group of companies is being brought together to form a driving force

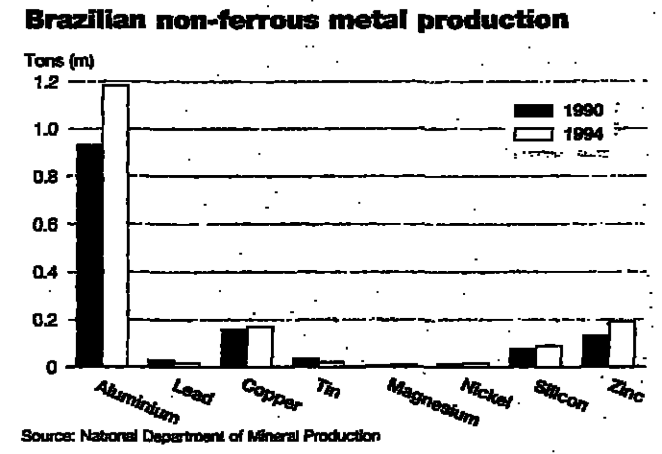
At Banco Fator in São Paulo, Mr Valter Appel believes he has a deal that will turn a mixed bag of companies into a driving force in Brazilian non-ferrous metals.

"The idea was to take four companies, each with its own problems, and put them together in such a way that two and two made five or six and not three," he says.

Success is by no means assured. Depressed international prices for non-ferrous metals and the strength of Brazil's currency are causing problems for the mining and metallurgy industry, which depends largely on exports. The companies suffer other difficulties, including heavy debts and lacklustre management.

Under the deal, a group of Brazilian pension funds will buy three mining and metallurgy companies – Paranapanema, Caraíba Metais and Paraibuna – and add them to one they bought earlier, Eluma, to form the Brazilian Non-Ferrous Metals Company, or CBMNF. For about $360m, the funds will acquire control of a company with projected profits in 1996 of $100m, on turnover of $965m, says Mr Appel.

Brazilian non-ferrous metal production



Source: National Department of Mineral Production

Leading the buyers is Previ, the pension fund of government-controlled Banco do Brasil. Four other public and private sector funds have smaller stakes, and Previ hopes other investors will join before the deal is finalised. The original deadline of January 31 is likely to be stretched to the middle of February and further delays are possible. A number of decisions remains to be taken, such as where the new company's headquarters will be based.

Taken individually, the companies do not look like much of a catch. The pension funds acquired control of Eluma when they bought all of a $33m stock issue last June; it is family-run and debt-ridden, and is estimated to have broken even last year on turnover of $182m. The company makes copper, brass and bronze products, and is a customer of the other three.

Half the price of the other companies was paid in December, with the remainder due on completion of the deal.

Zinc producer Paraibuna, with estimated losses last year of $35m on turnover of $92m, is also family-run, deep in debt and considered far from efficient by industry analysts. Although it had a net worth at the end of 1995 of $229m, the funds will buy 100 per cent of its voting stock for just $52m, a price that includes a third of a controlling stake in Caraíba Metais.

Control of Caraíba, a copper producer with estimated 1995 profits of $50m on turnover of $514m, will be bought for $150m (a remaining third of its voting stock is held by BNDES, the national development bank, which will swap it for a 14 per cent stake in CBMNF). Although profitable, the company suffers from low productivity, outdated machinery and controlling shareholders with disparate interests.

Only Paranapanema, a tin miner with interests in heavy construction, has a reputation as an efficient, cash-rich, low-cost producer, although it too has suffered from a lack of direction from its founding-family management.

The funds will pay $129m for 70 per cent of voting stock; CBMNF will later make an offer for the remaining 30 per cent held by minority shareholders.

On at least one level, the deal is bound to produce economies of scale. Four management structures will be reduced to one; doing away with Paranapanema's headquarters in São Paulo would save an estimated $15m a year. Research and development will be concentrated into a new technology centre, and there will be one trading desk for all the new company's products. With the exception of Caraíba, formerly in the public sector, family management will be replaced by tougher, professional executives; the demands of the new company's shareholders will be tougher.

Critics argue that the four companies offer little synergy at the operational level. Industry analysts point out that CBMNF's mining and metallurgy operations will be separated by thousands of miles, in the northern states of Amazonas and Pará, the north-eastern state of Bahia and the south-eastern states of Minas Gerais and São Paulo. Nor, they say, is there much synergy between areas of activity; each metal requires its own skills, from mining and production to marketing and sales.

"On the operational side it's not a brilliant deal," says Mr Roberto Gianetti da Fonseca, president of Silex Trading, a Brazilian metals trading company. "Paranapanema is the jewel in the crown, it's famously efficient and will continue to be one of the lowest-cost producers of tin in the world. But Paraibuna and Caraíba have questionable futures in terms of global competitiveness."

With changes to Brazil's constitution opening its mining industry to foreign companies, Mr da Fonseca says CBMNF will face the additional challenge of highly efficient foreign competitors operating in the same market.

The deal's architects brush off such criticisms. Mr José Valdir Ribeiro dos Reis, president of Previ, argues that Paranapanema and Caraíba are both profitable and efficient, and that Paraibuna's operations should go into profit within the next year.

The deal will also help resolve specific problems: Paraibuna's debt of more than $90m will be cut almost in half, partly by use of credits of $120m held by Paranapanema. Financial restructuring will allow Paraibuna access to cheaper credit; its ability to pay suppliers promptly will open access to better raw materials, leading to improvements in productivity.

The deal will also lead to new investments. Mr Appel says CBMNF will spend $110m a year "for the next few years" on research into new products and applications. Paraibuna will build a 60MW hydroelectric power station at a cost of $50m, to begin operating in late 1997; it has concessions to build two more.

Not all analysts are critical of the deal. Mr Luciano Snel, of Rio-based investment bank Icatu, points out that a change from family to professional management has worked wonders for other Brazilian companies in the past. And he says there is great potential for future deals with companies such as Companhia Vale do Rio Doce, the mining group earmarked for privatisation this year.

Indeed, that potential may be realised sooner rather than later. Mr dos Reis at Previ says CVRD and steel company CSN have committed themselves to taking a stake in the new company before the deal is finalised. However, while admitting the possibility, both companies say they will hold fire until an audit of all four operating companies is complete.

Jonathan Wheatley

مكتبة الأمل

Agreed £177m takeover creates one of the largest credit insurers

SFAC buys Trade Indemnity

By Ralph Atkins in London and Andrew Jack in Paris

Trade Indemnity, the credit insurer, yesterday announced an agreed £177.3m ($273m) takeover by Compagnie Financière SFAC – which would leave the UK credit insurance market controlled almost entirely by foreign-owned groups.

The deal ends a tumultuous chapter for Trade Indemnity, which suffered heavy losses during the last recession and saw the short-term insurance arm of the government's Export Credits Guarantee Department acquired in 1991 by its Dutch rival, NCM.

The SFAC takeover would create one of the world's largest credit insurers.

The companies said it would allow the joint development of information technology and the combined group would be better set to meet the increasing demands of multinational clients.

Undertakings to accept the cash offer have been received from investors representing 53 per cent of the shares. These are insurers Commercial Union, Guardian Royal Exchange, Munich Re and Swiss Re.

SFAC's main activity is French domestic credit insurance, but it has a 17 per cent stake in Coface, the French export insurer. The group is 49.9 per cent controlled by the state-owned Assurances Générales de France, with reinsurers including Scor, Swiss Re and SAFR having stakes.

Following the deal, only minor shares of the UK market will be held by locally-owned short-term credit insurers – principally Sun Alliance and Lloyd's of London syndicates. Trade Indemnity claims a 44.2 per cent market share and thinks that NCM accounts for a further 35.5 per cent.

But Mr John Bishop, who became Trade Indemnity chief executive in September, said it had worked closely with SFAC for some years. "Issues of nationality cease to be important. What is important is the quality of service."

In a separate move Coface LBF, the UK arm of the French insurer, announced it had joined Trade Indemnity and NCM in being eligible to "top-up" reinsurance from the ECGD. This, it claimed, would allow Coface to compete on the same terms as its UK rivals.

SFAC is offering 97p a share and Trade Indemnity shareholders will receive a second interim dividend of 1.4p.

Misys rises 11% boosted by ACT acquisition

By Christopher Price

Shares in Misys rose 11 per cent yesterday after the accountancy software group reported a 71 per cent rise in interim pre-tax profits, boosted by the purchase last year of ACT Group.

The rise, from £11.2m to £19.2m, was struck following a more than doubling of turnover to £129.5m in the six months to November 30.

The shares rose 62p to 637p.

Misys supplies software products to banks and insurance groups, as well as other to institutions such as universities, stockbrokers and hospitals.

The purchase of ACT last April for £193.3m benefited Mysis' banking business. Sales rose four-fold to £64.3m, and operating profits jumped from £2.26m to £12.5m. The division's share of group profits rose from 20 to 55 per cent.

Mr Kevin Lomax, chairman, said the assimilation of ACT had exceeded expectations and the increased banking order book should benefit the second half.

The drivers to the business continued to be in the emerging markets, with south-east Asia particularly strong as national and private banks strove to update accounting systems.

India and Africa had also seen strong improvement in sales, and an office had been opened in Miami to facilitate opportunities in South America.

However, the more mature western markets had also been firm, as banks and other financial institutions sought to improve their accounting systems to include new instruments such as derivatives.

Profits in the insurance business fell to £6.01m (£6.2m) on turnover 8 per cent up at £18.05m.

Mr Lomax said profits had been restrained by a big investment programme, the benefits of which should also start to show in the second half.

Research and development expenditure had been running at 22 per cent of divisional turnover, but this had now fallen to 12 per cent.

Mr Lomax said the group was examining areas in which to concentrate resources, with particular reference to international applications.

LEX COMMENT

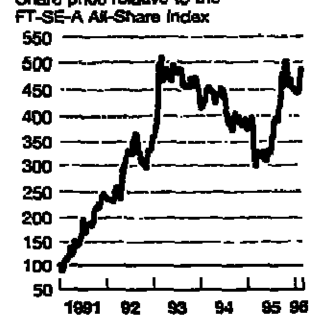
Reassuring Misys

The most reassuring feature of yesterday's results from Misys was the strength of its cash flow. Despite record levels of development spending and heavy reorganisation costs, the UK software group still managed to halve its borrowings. The 11 per cent rise in the shares suggests the market is starting to feel more comfortable about last February's £190m takeover of ailing rival ACT. The numbers certainly show that Misys is making a success of its purchase. Turnover, profits and orders were all up strongly, thanks to a better than expected contribution from ACT. The acquisition has consolidated the group's leadership in the rapidly growing market for banking software. In emerging markets, like India, Misys sells standard packages to retail banks building up branch networks. In the west it specialises in treasury, risk management and back office systems. The high cost of developing their own software means banks are increasingly willing to contract out their computer infrastructure to companies like Misys. The group's other business, insurance software, is growing just as rapidly, as traditional brokers use computers to compete with direct insurers. Margins here are a handsome 35 per cent. Almost half the group's turnover is recurring revenue from maintenance and support contracts.

Despite the strength of the share price – it has doubled in a year – a prospective rating of 14 times earnings still puts Misys on a discount to comparable UK software companies. It deserves better.

Misys

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

Molecular acquires three US concerns

By Daniel Green

Oxford Molecular, which writes software for the pharmaceuticals industry, is to buy three US companies worth $13.6m and a 1-for-7 rights issue to raise £16.2m ($25m).

The market welcomed the moves and the shares rose 13p to 324p on Wednesday, after the announcement, against the rights price of 235p and a price a year ago of less than 90p.

Mr Tony Marchington, chief executive, said that yesterday was "the most important day for the company since flotation" in April 1994.

Revenues would come largely from licence fees from drugs companies and contracts to operate networks within those companies.

The businesses being acquired are

- the Baltimore, Maryland, Chemical Informatics division of PSI International which provides software for the management of chemical information. It had sales of $774,000 in 1995.
- MacVector of Eastman Kodak, Rochester NY, which sells software for DNA sequencing. Sales in 1995 were $1m.
- Health Designs, also in Rochester, which makes toxicology prediction software. Sales were $534,000 in 1994/95.

The rights issue is underwritten by Baring Brothers.

ERF warns and reduces S Africa holding to 30%

By John Griffiths

Shares in ERF, the heavy truck maker, plunged 60p to 182p yesterday, after the company warned that profits would be significantly lower than forecast this year because of an orders slump in November and December.

The warning coincided with ERF announcing its was cutting its holding in ERF South Africa, its South African subsidiary, from 56.1 per cent to 30 per cent. It will provide the UK company with a net cash injection of about £2.3m ($3.5m), to be used to cut debt.

However, Mr Colin Fuller, finance director, said yesterday that the South Africa restructuring had been planned, well before the unexpected drop in orders at the end of last year. He stressed that it was directed at increasing ERF's presence in South Africa.

Poised for fresh foray into UK?

Michael Lindemann on Gehe as it mulls over a Lloyds Chemists bid

Dieter Kämmerer: considerable practice at acquisitions

As Mr Dieter Kämmerer sits in his Stuttgart office contemplating whether or not to bid for Lloyds Chemists, the UK retailer already subject to a £528m offer from UniChem, one thought is uppermost.

The chief executive of Gehe, Europe's largest pharmaceuticals wholesaler, ventured into the UK market last May when he bought AAH for £400m, and he has had no cause to complain. "We've had an excellent experience with our acquisition," he said. "Our estimates turned out to be correct. In fact, in terms of AAH's core business, the results have been better than expected."

There is some reason, then, to suppose that Lloyds would be a sensible further UK acquisition. AAH's activities are mainly in the wholesale business but it also has a network of pharmacies. At Lloyds, the balance is tipped the other way, suggesting that the two are "rather complementary", as the 59-year-old Mr Kämmerer puts it.

Gehe and Lloyds are still in talks after the German company requested confidential financial information earlier this week. But Mr Kämmerer is not letting slip any further information.

He says Gehe has until February 14 to make a bid. Analysts suspect it would have be in the range of 450p-500p a share to knock out the 408p friendly bid tabled by UniChem, the UK's leading pharmaceuticals wholesaler.

Apart from offering more, a possible bid by Gehe would seem to have a further advantage for Mr Allen Lloyd, the group's founder. "The UniChem bid is cash and shares," one analyst pointed out, "while Gehe would offer just cash. A straight cash bid would clearly have its attractions."

Another reason why Mr Kämmerer is not likely to balk at reaching into Gehe's pockets to buy Lloyds is that he has had considerable practice at making acquisitions.

A series of aggressive purchases in France, the UK and elsewhere in Europe has caused Gehe's sales to leap from DM3.79bn (£1.7bn) in 1990 to an estimated DM18.8bn last year.

Net profits have kept up the pace, rising from DM59m in 1990 to DM140m in 1994. The German press estimates that Gehe will report net profits of DM180m in 1995, but Mr Kämmerer permits himself only a slight aside: "If that's the case then they have underestimated us."

But while the odds seem to be on the side of Mr Kämmerer – a former IBM manager who came to Gehe in 1980 – joining the fray, his mind is not made up.

"If you are pursuing a long-term strategy as we are, you watch the markets and everything that's going on out there," he says. "Having made our appraisals we could say – given the sum of money that is to be spent – is this really what we want? Perhaps we would be better off spending the money in other regions".

COMPANY NEWS: UK

Hanson rump takes over bonds

By Antonia Sharpe

The Hanson rump, left after the conglomerate splits into four companies, will retain responsibility for the larger group's bonds.

Mr Andrew Dougal, Hanson's finance director, told a 40-minute conference call yesterday afternoon, that the bonds would remain the obligation of the slimmed down company, which will contain the group's building materials interests.

However, Mr Dougal sidestepped questions about whether the demerger could force Hanson to repay all its bonds in one go.

Bankers said such a "disaster scenario" could arise if the trustees of the dollar exchangeable bond offering decided the demerger resulted in a "change of control" of Hanson's American company. Such a decision could force Hanson to repurchase not only the dollar bond, but all its other bonds because of various clauses in the bonds' documentation.

Mr Dougal acknowledged that there was a potential problem, but said Hanson would find a way round it.

Hanson has a large exposure to the bond markets. Its biggest offerings include two sterling fixed-rate issues of £500m each, a £500m convertible bond, and a $1.25bn bond exchangeable into its American Depositary Receipts. Bankers estimate that new Hanson will have net debt of £4.7bn.

Uncertainty about which company would be responsible for the bonds and worries that Hanson's credit rating would be downgraded prompted a sharp fall in its bonds when the demerger was announced earlier this week.

Mr Dougal said new Hanson would seek cash injections from the three other groups to offset the debt with which it would be left.

Biotech shows withdrawal symptoms

Celltech's decision highlights the sector's risks. Daniel Green reports

Investors had almost forgotten how risky the biotechnology sector could be.

When shares in Celltech, the UK's third biggest biotech company, fell 24 per cent after it abandoned its asthma drug CDP 840, the rest of the sector fell too.

Even shares in companies such as British Biotech, Scotia and Cantab, whose drug development programmes include nothing remotely like CDP 840, weakened.

The announcement was an unpleasant reminder of the 1992-1994 period when the sector was dogged by news of experimental drugs that failed to help patients.

It was not until spring 1995 that a series of successful drug trials reversed investor sentiment. The 250 quoted biotech companies in the US on average almost doubled their share prices in the following six months. The handful in the UK performed even better. The flagship British Biotech quadrupled; Celltech trebled.

Rising share prices are vital to a biotech company. Biotech companies try to take scientific advances in the understanding of human biology and turn them into medicines. It takes a decade or so to take a drug from the laboratory to the market. The main source of revenue for this period is investors, starting with venture capitalists, followed by a flotation and rights issues.

Each wave of investors demands rapid returns to offset the risk that a research idea is a dead end. So when share prices are rising, investors are enthusiastic and biotech companies can salt away money. When share price fall, investors shy away and biotech companies are in trouble.

The last time this happened, in 1994, several US biotech companies were forced to merge. Some failed.

Not surprisingly, biotech companies each insist that it is not volatile. They point to role models such as Amgen, a Californian company founded in 1980 that is now worth more than $15bn and classified as a member of the low-risk pharmaceuticals sector.

Analysts have increasingly turned to mathematics to try to eliminate the volatility. They try to develop "net present valuations" for each drug in development and each biotech company. They forecast its sales when it is launched compared with existing drugs for the same medical condition. Then they reduce that by a factor that reflects the time until launch, and by a further factor corresponding to the likelihood of a successful launch.

This third step is achieved by tracking drugs through the three main stages of testing on patients. A drug in Phase I is usually given a 10 per cent chance of reaching the market, in Phase II, this rises to 25 per cent and once it has passed through Phase III, the final stage, it has a more than 90 per cent chance of being launched.

Celltech's CDP 840 was in Phase II and had been given net present values ranging from less than £35m to more than £100m, one fifth the company's market capitalisation before yesterday's announcement.

"The 24 per cent share price fall can only be partly accounted for by the loss of CDP 840, the rest is increased uncertainty," said Ms Jo Walton, analyst with Lehman Brothers.

That kind of uncertainty prompted a wobble in apparently unrelated companies in the rest of the sector. British Biotech's main drugs have yet to reach Phase III.

It is not all bad news for the sector. CDP 840 was an asthma drug. This is a disease that is already well treated by steroids, so drug development makes commercial sense only if the new product is a breakthrough.

The mechanism of asthma is poorly understood. Steroids stop the inflammation of asthmatics' airways in a biologically unspecific way.

The asthma drugs under development are designed to interfere with specific parts of the inflammation process.

Celltech can take some succour from the fact that the principle behind CDP 840 – a class of drugs called PDE IV inhibitors – has been demonstrated. PDE stands for phosphodiesterase, and represents an enzyme involved in inflammation of the airways.

Mr Peter Fellner, Celltech's chief executive, says the PDE IV programme has merely been delayed by about 18 months. The drug is being developed with Merck, the biggest US drugs company, and the relationship between the two companies is intact.

That may not convince everybody. One analyst said that Celltech's bad news was "a dose of reality" in an overheated sector.

Drug tests

Blockbuster drugs in 1994

Brand name	Company	Country	Sales ($000)
[illegible]	[illegible]	[illegible]	[illegible]
Becotide/Beconase	Glaxo	UK	790
[illegible]	[illegible]	[illegible]	[illegible]
Zaditen	Sandoz	Swiss	425
Pulmicort	[illegible]	[illegible]	[illegible]

Respiratory/Asthma drugs in development

Company	Country	Name	Estimated peak sales
[illegible]	[illegible]	[illegible]	[illegible]
Rhone-Poulenc Rorer	US	RP 73401	Not known
[illegible]	[illegible]	[illegible]	[illegible]
SmithKline Beecham	UK/US	SB 207499	$250-500m
[illegible]	[illegible]	[illegible]	[illegible]

Source: Datastream, Lehman Brothers, FT

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Black (Peter)	6 mths to Dec 2	69.3	(69.9)	8.21	(8.35▼)	10.13	(10.66)	1.37	Apr 30	1.26	-	5.05
Fortaka ◆	6 mths to Sept 30‡	0.205	(0.016)	0.0541	(0.009)	7.73L	(4.37)	-	-	-	-	-
Mileys	6 mths to Nov 30	129.5	(63.9)	19.2	(11.2)	16.9	(16.2)	3.97	Apr 4	3.45	-	9.27
Regent Corp	6 mths to Sept 30	0.979	(1.68)	1.35L	(0.302)	5.56L	(0.9)	-	-	-	-	-
Scotswood ◆	Yr to Sept 30	0.782	(0.584)	0.086♣	(0.063)	1.06	(0.85)	0.5	-	-	-	nil
Select Inds	6 mths to Dec 31	0.456	(0.597)	0.055♣	(0.931)	0.02	(0.41)	-	-	-	-	-
Whitney M-Lewis §	6 mths to Oct 31	1.27	(1.47)	0.107	(0.179L)	1.6	(2.7L)	nil	-	nil	-	nil
Wholesale Fittings	6 mths to Oct 31	45.8	(39.3)	2.2▼	(1.52▼)	10	(7.18)	3.5p	Apr 12	3.23	-	11.7

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore British	Yr to Dec 31	130.6	(120.2)	1.89	(1.29)	8.25	(6.27)	2.1	Feb 28	✠	7.95	6
Kleinwort Charter	Yr to Nov 30	291	(236.4)	4.59	(3.71)	5.68	(4.57)	4	Apr 8	3.9	5.5	5.15
TR City of London	6 mths to Dec 31	167.28	(141.38)	6.39	(5.81)	3.1	(2.74)	1.42	Feb 29	1.31	-	5.35

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣After exceptional charge. ▼After exceptional credit. ◆Aim stock. ‡New year end; comparatives cover year to March 31. §USM stock. ✠Special of 0.54p. ♣Second interim; makes 2.84p to date.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 02.02.96 Pool purchase price £/MWh	Final Prices for Trading on 08.01.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	23.89	9.03	9.03
0100	38.99	12.88	14.18
0130	43.00	23.75	25.05
0200	43.00	23.75	25.05
0230	38.92	12.89	14.18
0300	26.83	16.01	17.30
0330	26.83	16.01	17.30
0400	24.75	9.03	9.03
0430	24.75	9.02	9.02
0500	25.99	9.02	9.02
0530	24.70	12.52	13.82
0600	23.54	12.73	14.02
0630	23.51	12.73	[illegible]
0700	33.55	12.82	13.82
0730	42.42	25.17	26.47
0800	43.10	26.32	29.62
0830	51.19	28.54	29.88
0900	51.40	28.63	29.97
0930	43.60	39.18	40.53
1000	43.49	38.99	41.37
1030	42.29	39.98	41.37
1100	38.57	28.73	30.11
1130	38.52	28.74	30.12
1200	38.59	39.18	40.54
1230	38.47	39.12	40.47
1300	38.28	28.62	29.97
1330	36.75	35.13	36.45
1400	36.05	35.11	36.43
1430	30.58	27.30	28.61
1500	30.53	35.09	36.39
1530	30.52	30.62	31.92
1600	24.78	25.99	27.31
1630	31.37	35.45	36.07
1700	63.21	65.07	59.32
1730	93.33	62.86	67.24
1800	110.41	59.32	62.95
1830	93.21	39.80	41.89
1900	62.61	37.37	39.63
1930	49.78	30.51	31.85
2000	42.65	29.37	30.65
2030	32.37	27.27	28.57
2100	32.28	25.17	26.47
2130	28.30	23.74	25.04
2200	32.28	12.73	14.02
2230	12.50	9.03	9.03
2300	9.11	8.95	8.95
2330	9.11	8.94	8.94
2400	9.11	8.93	8.93

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.

COMMODITIES AND AGRICULTURE

Funds drive gold still higher

By Deborah Hargreaves

The gold market surged ahead in New York yesterday as speculative investment funds poured fresh cash into buying gold futures on the Commodity Exchange (Comex). The London bullion market price was $4.60 higher at the close at $410.20 a troy ounce – breaking through the important $410 barrier and establishing a 5½-year high.

The catalyst for yesterday's price rise was this week's announcement by Canada's Barrick Gold that it was reducing its hedging position by 100 tonnes. Traders regard this as significant as the company is one of the largest hedgers in the market and could encourage other mining companies to follow its lead.

Gold producers have tended to put a cap on any price rise in the recent past by taking the opportunity to selling their production forward. If companies reduce their hedge positions, this will give the market more freedom to move higher.

"Producers tend to be the bogeyman of the rallies and this is quite a significant statement for Barrick to make," said Mr Andy Smith, precious metals analyst at UBS in London. There was less incentive for producers to sell forward in the current climate of low interest rates, he added.

In addition, the growth of options business in the gold market tends to boost prices when the market reaches a level at which traders have options exposure and have to make covering purchases. "The options business has sucked the price through $410," one trader said.

Gold has been rising steadily since the beginning of the year and some traders believe it could go higher still.

"It's in the tea leaves. The whole psychology of the market doesn't change until you get beyond $420," said Mr Smith.

But hedge funds had built up large speculative positions in the market now and if they all decided to bale out together, prices could turn sharply lower.

Guyana's cyanide spill mine to reopen

By Canute James in San Juan, Puerto Rico

Guyana's parliament has approved the reopening of the controversial Omai gold mine, but the date of a restart will be determined by the government's reaction next week to the miner's proposals for safeguarding the environment.

The Canadian-owned mine was closed in August after 3m cubic metres of cyanide tainted water spilled from a defective dam into nearby rivers. A commission appointed by the Guyana government recommended last month that the mine should be reopened, but insisted on improved environmental protection.

Mr Sam Hinds, Guyana's prime minister who is responsible for mining, interrupted the budget debate on Wednesday night and asked for approval of the reopening of the mine. Local opposition parties and the international environmental lobby are expected to object.

The prime minister rejected charges that the government had been pressured into approving the reopening of the mine. Government officials have repeatedly said the mine would not be reopened until the administration was satisfied that it could be operated "in as safe a manner as humanly possible".

Cambior and Golden Star Resources, both of Canada, own 65 per cent and 30 per cent, respectively, of Omai Gold Mines, with the Guyana government owning 5 per cent. A $240m venture, Omai is said to be one of the largest open pit gold mines in South America.

The government described the cyanide leak as an "environmental disaster", while the company maintained that it was an "industrial accident". The company said it would make reparations for any damage caused by the leak.

It said last month that it was ready to restart milling, and that it would be able to produce 250,000 ounces of gold this year, slightly less than production in 1994, the last full year of operation.

The government's move to permit the reopening of the mine follows increasing concern about a loss of earnings and the continued employment of the 900 Guyanese by the company, officials in Georgetown, Guyana's capital said yesterday.

Guyana's earnings from gold exports were US$27m short of the $135m target last year because of the closure of the Omai mine, said Mr Bharrat Jagdeo, the finance minister. The mine produced 197,000 troy ounces between January and August when it was closed, following 276,000 troy ounces in 1994.

Australian company studies Namibian copper

By Kenneth Gooding, Mining Correspondent

An attempt is being made to revive the Hiab copper project in Namibia. A small Australian company, Great Fitzroy Mines, and its joint venture partner and close associate, Namibian Copper Mines, are to spend about US$7.5m for a bankable feasibility study that they hope will lead to annual production of 65,000 tonnes of the metal, starting in 1998.

Pre-feasibility studies indicate that a mine and associated processing plant would cost up to US$600m – by far the biggest single investment made in Namibia, according to Mr Peter Prentice, Great Fitzroy's managing director.

RTZ Corporation, the world's biggest mining company, is reputed to have spent $20m on the project between 1972 and 1975 but walked away because it was not an economic proposition at that time.

Mr Prentice says that since then new technology for producing copper – solvent extraction-electro-winning – has changed the economics of the venture.

He suggests the venture will be financed 25 per cent by equity and the rest by debt. He says the Namibian government is enthusiastic about the project and his company is already in discussions with the government about such things as the tax to be charged, water and power costs and repatriation of profits. But the government is not insisting on a "free" equity stake. Some Japanese trading houses are keen to buy the copper output.

The studies suggest that cash production costs will be below 60 cents a pound and, with if the copper price averaged $1 a pound, the capital cost would be recovered in the first seven years of the mine's expected 25 year life, says Mr Prentice.

Namibian Copper had been set up by Great Fitzroy to raise money from US investors, who were more willing to put money into copper projects than the Australians, he says. The US company hopes to raise a further $11.5m of working capital by April. Eventually, it is hoped Namibian Copper will also be listed on the Namibian stock exchange.

Florida frost fears boost New York OJ market

By Deborah Hargreaves

New York's orange juice futures rose by their daily limits for the second day running yesterday when prices surged on fears that Florida's citrus crop would be damaged by a cold air mass heading for the state.

Prices for the March futures contract were up by 7.25 cents a pound to $1.33 but later slipped back to $1.32. "There is a lot of speculative buying in the market right now, but there could be some profit-taking," said Ms Judy Ganes, soft commodities analyst at Merill Lynch in New York.

Florida's current crop is the second largest on record at 206m boxes, just behind the record 1979-1980 harvest of 206.7m boxes.

But an official at Florida Citrus Mutual, the largest growers' organisation with over 12,000 members, said that yields would be affected by colder weather that has already hit the state. A typical yield would be 1.5 gallons per box, but this year, it is expected to be closer to 1.47 gallons.

Stocks have been reduced by high demand and are expected to finish the season at 25m to 30m gallons – down from last year's 42m gallons and 58m gallons in 1994. Tight supplies have buoyed orange juice futures prices in the past months when they have remained firmly above $1 a pound.

Cold weather expected for Florida this weekend could bring the coldest temperatures in a decade. "If the temperature is lower than 27 degrees [Fahrenheit] for longer than 4 hours, there is the potential for serious damage," said Ms Shannon Ross at Florida Citrus Mutual. Growers spray the base of their trees with a fine mist to keep temperatures around 32 degrees.

New weapons found for locust-control battle

David Dixon on efforts to forestal swarming

Recent research findings by British and Kenyan scientists have significantly improved the prospects for developing a more effective and cheaper long-term strategy to control locusts.

Locust plagues have been threatening food production ever since man first started farming. A swarm can eat, in one day, crops that could feed over 100,000 people.

Today over 60 countries in Africa, the Middle-East and Asia are threatened regularly by outbreaks. Swarms are highly mobile, travelling up to 200km a day, and it takes a massive and costly campaign to stop them. In the mid 1970s, when the more persistent organochlorine pesticides were withdrawn, costs soared.

In 1986-1989 US$300m was spent spraying 15m litres of pesticides over 17m hectares. Then in 1992-1994 insecticides costing $42m were sprayed on 4m hectares. The economic and environmental damage was enormous. So the hunt to find more effective ways to beat this age-old pest quickened.

In West Africa researchers at the International Institute of Tropical Agriculture, based in Nigeria and Benin, have been looking for the organisms that naturally attack the desert locust. At their Biological Control Centre for Africa, in Benin, they and scientists from the UK's International Institute of Biological Control can now kill locusts by using a fungus, Metarhizium flavoviride. Unfortunately it takes over ten days to work, though feeding slows down some three days after infection. This means the fungus will never be able to deal with advancing swarms, though it works well against grasshoppers, which do immense damage to crops every year in parts of West Africa.

In Kenya and England researchers have taken a different path. They have been seeking the reasons for swarming. Normally locusts live solitary and inactive lives, and as such they are harmless insects. It is only when they change their behaviour and become gregarious that they swarm and do immense damage to crops. So, in their recent research, scientists have been looking for the critical factor that controls swarming.

At the International Centre for Insect Physiology and Ecology (ICIPE), in Kenya, scientists have been working to decode the locust's chemical language, and have found that there is quite a large repertoire of chemical "messages" or pheromones.

During its life, the locust has several periods of growth: hoppers, which hatch from the eggs laid in the ground, go through five stages known as instars, before becoming adults. Then hoppers and adults can change from being solitary to becoming gregarious. All these stages use different pheromones for communicating. Young adults have a slightly different pheromone from that of older gregarious adults: hoppers, on the other hand, use a radically different blend of pheromone to those of the adult, with the first instar using, again, a different signal from that of other hoppers.

The big discovery, says ICIPE's director-general, Dr Hans Herren, is what happens when an inappropriate or unfamiliar pheromone is introduced. For instance, if the aggregation pheromone produced by the gregarious adult is sprayed on gregarious hoppers, it drives them crazy, setting one against the other.

When the same pheromone was tested in the field on gregarious hoppers, which were together prior to swarming, it reversed their behaviour, and they broke up into small groups and then dispersed. Furthermore, spraying this pheromone had two other effects. On dispersal the hoppers became easy targets for birds. Normally birds shy away from swarms of locusts. Secondly, and more importantly, the pheromone weakened the hopper's immune system, so they became more susceptible to disease and to insecticides. Scientists are still baffled by this effect, but it means that locusts can be killed with smaller doses of chemical spray or pathogens, such as Metarhizium flavoviride.

Meanwhile, at Oxford University, a team of scientists led by Dr Stephen Simpson think that they have found the critical factor that produces masses of gregarious insects. They found that the process starts after rains produce a flush of vegetation.

Solitary locusts feed on this and as the forage gets eaten so the locusts come closer together and start crowding. That stimulates the female locust to produce a chemical compound, which she adds to the foam that surrounds the eggs she has laid in the soil. This compound acts on the embryos as they develop in the eggs and causes those genes, which make the animal turn into the gregarious form, to be switched on. So all the young emerge as gregarious locusts, and this is carried forward to future generations, leading to the formation of large swarms. Furthermore the researchers found that when crowding occurred, it was the touch of other locusts that stimulated the females to produce the critical chemical compound rather than the sight or smell of other locusts.

The work at Oxford and at ICIPE gives scientists a far greater understanding of how locusts function. They now know what it is that triggers off mass swarming and what it is that maintains mass egg-laying and keeps the swarms together.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1585-86	1606-7
Previous	1561-62	1590-91
High/low	1575/1572	1615/1585
AM Official	1574-74.5	1599.5-600.0
Kerb close		1614-5
Open int.	219,238	
Total daily turnover	65,996	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1355-65	1390-95
Previous	1345-55	1380-90
High/low		1400/1395
AM Official	1350-55	1385-95
Kerb close		1385-95
Open int.	4,767	
Total daily turnover	1,411	

■ LEAD ($ per tonne)

Close	777.5-78.5	771-2
Previous	754.5-55.5	749.5-50.5
High/low		778/738
AM Official	767-68	763.5-64.5
Kerb close		775-6
Open int.	35,425	
Total daily turnover	15,053	

■ NICKEL ($ per tonne)

Close	8620-30	8710-20
Previous	8455-65	8565-70
High/low	8500/8490	8790/8530
AM Official	8490-91	8590-600
Kerb close		8780-90
Open int.	40,636	
Total daily turnover	19,769	

■ TIN ($ per tonne)

Close	6250-60	6290-95
Previous	6220-30	6265-70
High/low	6250/6245	6305/6240
AM Official	6243-45	6280-85
Kerb close		6310-20
Open int.	15,344	
Total daily turnover	2,556	

■ ZINC, special high grade ($ per tonne)

Close	1067.5-68.5	1084.5-85
Previous	1057-58	1073-74
High/low	1084/1062	1087/1065
AM Official	1061.5-62	1079-80
Kerb close		1084-5
Open int.	75,989	
Total daily turnover	43,056	

■ COPPER, grade A ($ per tonne)

Close	2589-91	2534-34.5
Previous	2564-66	2516-18
High/low		2542/2497
AM Official	2565-67	2515-17
Kerb close		2541-2
Open int.	175,772	
Total daily turnover	69,524	

■ LME AM Official £/$ rate: 1.5147
LME Closing £/$ rate: 1.5127
Spot: 1.5135 3 mths: 1.5104 6 mths: 1.5066 9 mths: 1.5028

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	118.60	+2.85	119.30	116.50	623	2,317
Mar	117.40	+2.60	118.50	114.50	7,725	25,583
Apr	116.10	+2.70	116.40	116.40	36	1,072
May	114.55	+2.45	115.50	111.90	765	7,899
Jun	113.10	+2.25	113.95	113.95	23	712
Jul	111.85	+2.90	112.80	110.40	332	3,023
Total					8,709	49,313

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	410.30-410.60		
Opening	407.50-408.00		
Morning fix	408.60	268.525	494.507
Afternoon fix	409.10	270.015	496.034
Day's High	410.50-411.00		
Day's Low	406.40-406.90		
Previous close	405.30-405.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.11	6 months	2.60
2 months	3.07	12 months	2.27
3 months	2.95		

Silver Fix	p/troy oz.	US cts equiv.
Spot	369.65	559.50
3 months	374.45	565.50
6 months	379.00	571.10
1 year	388.50	582.55

Gold Coins	$ price	£ equiv.
Krugerrand	406-409	268-270
Maple Leaf	421.85-424.50	-
New Sovereign	94-97	62-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	410.8	+5.2	411.5	408.2	2,158	2,253
Apr	413.7	+5.2	414.0	408.7	38,461	114,854
Jun	415.7	+5.2	415.9	411.1	10,100	31,826
Aug	417.2	+5.2	418.5	412.3	96	10,371
Oct	418.7	+5.2	-	-	10	4,116
Dec	420.2	+5.2	420.0	415.3	93	12,820
Total					380	6,815

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	429.9	+6.9	432.0	424.0	1,965	18,352
Jul	431.9	+7.2	432.0	426.5	210	3,119
Oct	433.7	+7.3	435.0	427.0	52	1,163
Jan	435.7	+7.7	-	-	1	54
Total					2,177	22,888

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	130.45	+1.05	136.00	130.75	196	4,758
Jun	131.85	+1.05	137.50	131.75	97	1,940
Dec	134.35	+1.05	139.50	134.25	1	30
Total					380	6,815

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Mar	579.5	+20.7	580.0	559.0	10,373	59,932
May	584.4	+20.8	585.0	565.5	313	15,444
Jul	588.6	+20.9	591.0	571.0	155	8,503
Sep	592.8	+21.1	581.0	574.0	178	9,844
Dec	599.1	+21.3	598.0	582.0	20	6,010
Jan	601.9	+21.4	-	-	3	2
Total					11,104	193,795

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	17.69	-0.05	18.08	17.65	38,383	78,466
Apr	17.31	-0.06	17.63	17.26	17,952	53,986
May	17.15	-0.05	17.44	17.14	8,703	38,704
Jun	17.05	-0.04	17.27	17.03	9,437	35,511
Jul	17.05	+0.04	17.14	17.00	3,020	30,394
Aug	16.94	+0.04	17.10	16.93	1,132	15,844
Total					86,443	392,280

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	16.50	-0.02	16.89	16.50	23,086	58,848
Apr	16.09	-0.06	16.40	16.08	15,851	40,041
May	15.89	-0.10	16.16	15.89	3,636	19,190
Jun	15.81	-0.06	16.03	15.78	1,973	17,800
Jul	15.70	-0.08	15.90	15.70	1,335	8,352
Aug	15.79	+0.06	15.82	15.77	143	4,990
Total					42,000	176,961

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	53.51	-	-	-	21,670	3,838
Mar	52.35	+0.24	53.60	51.80	28,673	39,987
Apr	49.40	-0.26	50.60	49.30	6,748	15,253
May	47.40	-0.36	48.30	47.40	4,154	10,393
Jun	46.45	-0.51	47.25	46.45	1,021	10,438
Jul	46.85	+0.28	47.25	46.85	125	6,287
Total					82,806	106,587

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	159.75	+3.00	161.00	158.75	8,112	26,121
Mar	153.75	+2.00	155.00	153.00	5,449	20,025
Apr	149.75	+2.00	150.50	149.50	2,133	10,544
May	147.25	+1.50	148.00	147.00	78	4,668
Jun	146.75	+1.00	147.25	146.50	178	5,945
Jul	146.50	+1.00	146.50	146.50	72	4,609
Total					15,990	78,563

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.560	-0.098	2.840	2.490	21,848	31,355
Apr	2.110	-0.064	2.270	2.074	4,928	18,445
May	2.025	-0.029	2.110	1.960	4,904	16,752
Jun	1.955	+0.001	2.010	1.910	2,069	11,201
Jul	1.910	+0.006	1.930	1.860	1,121	9,177
Aug	1.880	+0.016	1.910	1.850	877	8,577
Total					38,671	145,678

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	54.10	-	-	-	15,892	2,131
Mar	53.15	-0.29	54.25	52.90	16,057	23,012
Apr	54.85	-0.24	55.80	54.95	4,663	15,128
May	54.70	-0.20	55.35	54.70	1,848	8,084
Jun	54.30	-0.05	54.75	54.25	386	4,649
Jul	53.60	-	53.95	53.60	129	3,585
Total					39,245	59,677

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	123.95	-0.35	124.35	123.65	111	2,470
May	125.80	-0.45	126.50	125.65	126	3,739
Jul	127.80	-0.40	128.50	9.06	25	517
Sep	113.20	-0.45	113.40	113.40	3	171
Nov	114.45	-0.35	114.80	114.50	41	1,237
Jan	116.35	-0.40	116.50	116.40	15	26
Total					321	8,160

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	517.50	-2.00	524.00	515.00	20,455	42,678
May	489.00	-3.50	494.50	484.00	5,984	14,326
Jul	453.25	-6.25	454.50	444.00	12,588	35,375
Sep	453.25	-5.25	454.50	445.50	451	6,671
Dec	461.00	-6.00	462.50	453.00	1,078	3,616
Jul	389.00	-0.50	389.00	388.50	70	147
Total					40,570	102,820

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	368.50	-2.50	370.25	365.50	47,120	181,019
May	370.25	-2.75	374.00	369.25	20,167	132,567
Jul	365.75	-2.25	369.50	364.50	12,814	91,285
Sep	313.00	-1.00	315.00	312.50	3,111	28,481
Dec	298.75	+0.25	300.00	297.00	11,232	59,508
Mar	304.50	+1.00	305.25	303.00	574	3,786
Total					95,270	498,585

■ BARLEY LCE (£ per tonne)

Mar	114.70	-0.55	115.35	114.85	22	711
May	116.40	-0.85	117.00	116.75	21	381
Sep	108.90	-0.10	-	-	-	29
Nov	110.95	-0.35	111.30	111.00	63	154
Jan	113.50	-	-	-	-	-
Total					106	1,275

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	741.00	+2.25	743.00	735.50	31,929	79,150
May	748.50	+1.75	750.75	743.50	8,855	35,505
Jul	752.75	+2.25	754.50	747.50	9,117	34,480
Aug	749.50	+0.75	751.50	746.00	919	3,197
Sep	727.75	+4.75	728.00	723.00	310	2,908
Nov	713.00	+4.75	714.00	706.25	8,672	39,026
Total					60,081	197,648

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	24.54	+0.15	24.69	24.32	13,689	39,563
May	24.82	+0.15	25.00	24.67	4,421	19,859
Jul	25.19	+0.14	25.34	25.05	2,796	14,349
Aug	25.32	+0.12	25.45	25.20	496	3,908
Sep	25.45	+0.11	25.55	25.34	368	1,958
Oct	25.60	+0.13	25.70	25.47	315	1,695
Total					23,441	88,045

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	235.3	-	236.3	234.1	10,133	41,518
May	238.5	+0.5	238.9	237.0	3,710	20,591
Jul	239.2	+0.6	239.2	237.9	2,297	18,042
Aug	238.0	+0.6	238.0	237.0	640	3,001
Sep	233.5	+0.2	234.0	233.5	584	2,509
Oct	225.5	+1.8	226.0	225.0	559	1,400
Total					18,803	91,736

■ POTATOES LCE (£/tonne)

Mar	200.0	-	-	-	-	-
Apr	176.8	-2.2	179.9	177.0	69	941
May	200.0	-	-	-	-	9
Jun	325.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total					8	978

■ FREIGHT (BIFFEX) LCE ($10/index point)

Feb	1402	-11	1435	1402	64	402
Mar	1392	-13	1435	1392	95	393
Apr	1393	-7	1435	1390	85	1,368
Jul	1280	+5	1280	1275	176	1,211
Oct	1340	+2	1345	1340	10	432
Jan	1380	-	1380	1380	1	33
Total					434	3,880

	Close	Prev
BFI	1494	1503

FUTURES DATA
All futures data supplied by CMS.

Wool
Wool prices again showed little overall change at the week's sales, but again if anything the tendency was easier. For Australia's Eastern market indicator the week-on-week decline was from 610 to 600 cents, and for New Zealand it was easing from 513 to 505 cents. If some allowance is made for strengthening in the dollar currencies both markets must be seen as generally unchanged, however. British wool also sold at a Bradford auction at generally unchanged prices, with certain carpet wools a little dearer. Clearances in Bradford were good, but in Australia and New Zealand farmers were inclined to withdraw their wool at rather than accept lower prices. In wool processing markets demand from the retail end was low, reflecting some degree of recession in much of the developed world.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	916	+9	915	900	2,967	22,552
May	937	+8	937	922	1,409	17,727
Jul	959	+10	959	943	587	8,776
Sep	979	+11	979	963	222	35,000
Dec	997	+11	997	984	254	12,428
Mar	1019	+10	1019	1005	441	28,053
Total					5,892	132,771

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1260	+18	1267	1244	6,579	29,168
May	1283	+15	1290	1270	4,332	26,684
Jul	1303	+11	1312	1294	694	10,117
Sep	1321	+10	1329	1315	685	10,495
Dec	1353	+10	1360	1345	436	9,329
Mar	1380	+7	1380	1380	51	7,045
Total					12,778	94,585

■ COCOA (ICCO) (SDR's/tonne)

Jan 31	Price	Prev. day
Daily	919.75	917.93

■ COFFEE LCE ($/tonne)

Mar	2130	-70	2200	2105	2,583	16,800
May	1980	-53	2033	1950	1,763	11,806
Jul	1920	-40	1955	1900	601	4,066
Sep	1896	-17	1940	1880	504	2,140
Nov	1881	-16	1933	1877	309	983
Jan	1858	-	1895	1895	1	78
Total					5,761	35,873

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	126.40	-2.30	129.25	125.80	11,395	15,577
May	124.50	-2.30	127.40	124.10	5,874	9,306
Jul	123.00	-2.05	125.00	122.50	1,232	3,433
Sep	122.25	-1.35	124.00	121.00	339	1,645
Dec	120.50	-1.85	123.00	120.50	154	1,123
Mar	121.00	-2.15	-	-	12	216
Total					19,006	31,334

■ COFFEE (ICO) (US cents/pound)

Jan 31	Price	Prev. day
Comp. daily	118.17	111.28
15 day average	102.96	101.36

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	10.90	-	-	-	-	-
May	11.31	+0.24	-	-	-	-
Jul	11.31	+0.24	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

Mar	368.8	-4.8	373.8	367.6	1,603	9,702
May	354.0	-2.9	357.0	353.7	1,468	10,818
Aug	338.7	-1.7	340.4	333.0	369	5,465
Oct	311.8	-1.3	313.6	312.0	240	4,086
Dec	304.1	-1.7	304.9	304.0	121	2,455
Mar	301.1	-2.2	303.5	301.3	130	592
Total					4,061	33,352

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.93	-0.22	12.10	11.87	13,834	63,691
May	11.10	-0.24	11.30	11.10	6,298	34,928
Jul	10.30	-0.15	10.38	10.30	2,031	21,975
Oct	10.10	-0.06	10.12	10.07	1,343	22,326
Mar	9.95	-	9.86	9.92	382	12,607
May	9.81	-	9.86	9.82	18	1,770
Total					23,902	158,283

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	86.00	+0.31	86.40	85.50	8,502	20,000
May	86.33	+0.13	86.80	86.10	4,889	14,896
Jul	86.05	-	86.60	86.05	1,281	8,822
Oct	79.80	+0.30	79.80	79.60	112	1,977
Dec	77.55	+0.20	77.60	77.35	309	12,354
Mar	78.25	+0.15	78.40	78.40	1	992
Total					15,203	60,624

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	132.20	+5.95	136.25	127.00	4,739	13,734
May	129.70	+5.00	129.70	127.50	1,829	4,670
Jul	130.65	+4.70	130.95	129.50	453	1,551
Sep	131.00	+4.70	131.30	128.00	125	1,391
Nov	126.80	+4.30	127.20	126.50	14	589
Jan	126.60	+3.85	127.95	123.00	53	1,335
Total					7,213	23,418

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 1	Jan 31	month ago	year ago
2182.5	2175.5	2102.4	2257.3

■ CRB Futures (Base: 1967=100)

Jan 31	Jan 30	month ago	year ago
247.53	245.45	244.45	232.42

■ GSCI Spot (Base: 1970=100)

Jan 31	Jan 30	month ago	year ago
196.81	193.83	203.50	176.00

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.750	-0.275	64.450	63.625	7,403	15,442
Apr	63.900	+0.05	64.325	63.600	9,138	31,305
Jun	61.650	+1.00	61.900	61.425	3,039	15,274
Aug	60.575	+1.250	60.875	60.400	1,397	7,065
Oct	61.425	-	61.775	61.325	950	6,976
Dec	60.950	-0.125	61.300	60.850	279	3,249
Total					22,388	81,008

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Feb	46.825	+0.200	46.850	46.175	2,464	6,029
Apr	44.825	+0.475	44.900	44.000	6,836	13,084
Jun	50.425	+0.425	50.475	49.600	2,122	8,216
Jul	49.125	+0.400	49.200	48.500	640	2,575
Aug	47.775	+0.550	47.825	46.900	282	3,351
Oct	43.800	-	44.250	43.500	211	1,747
Total					12,853	36,739

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	54.775	-0.375	55.100	54.175	1,319	2,260
Mar	56.200	+0.300	56.500	54.450	1,077	1,897
May	55.725	+0.225	55.900	55.000	375	1,357
Jul	56.000	+0.100	56.000	55.250	158	1,019
Aug	52.500	-1.350	52.950	52.500	13	242
Total					856	8,774

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	100	126	-	12
1600	16	59	16	43
1700	-	21	100	104
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2500	105	126	1	46
2600	27	59	23	94
2700	8	21	97	161
■ COFFEE LCE	Mar	May	Mar	May
N/A	-	-	-	-
N/A	-	-	-	-
N/A	-	-	-	-
■ COCOA LCE	Mar	May	Mar	May
N/A	-	-	-	-
N/A	-	-	-	-
N/A	-	-	-	-
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1650	46	42	19	-
1700	21	26	-	-
1750	5	13	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)		+or-
Dubai	$15.59-5.69w	+0.08
Brent Blend (dated)	$16.89-6.91	+0.27
Brent Blend (Mar)	$16.65-6.67	+0.20
W.T.I.	$17.83-7.85w	+0.19
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$187-189	
Gas Oil	$166-167	+5
Heavy Fuel Oil	$98-100	+3
Naphtha	$170-172	+1
Jet fuel	$183-185	+3
Diesel	$169-171	+3

Petroleum Argus. Tel. London (0171) 359 8792

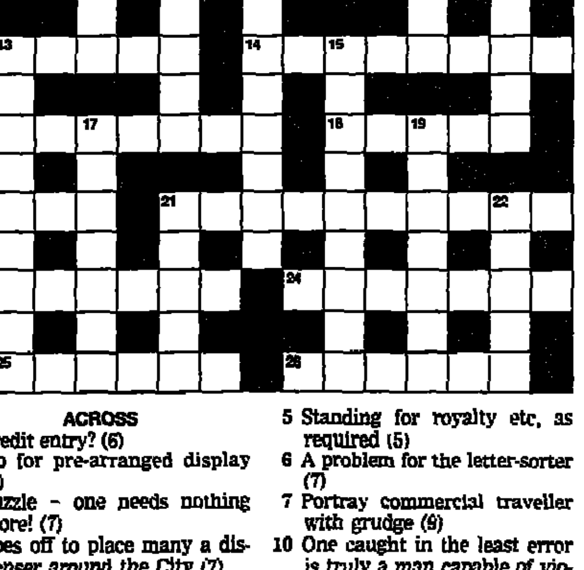
■ OTHER		
Gold (per troy oz)♣	$410.55	+5.05
Silver (per troy oz)♣	573.5c	+19.0
Platinum (per troy oz.)	$423.25	+3.25
Palladium (per troy oz.)	$130.00	+2.25
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.76m	-0.04
Tin (New York)	297.5c	+3.0
Cattle (live weight)†	119.70p	+0.34*
Sheep (live weight)†♠	130.83p	+6.03*
Pigs (live weight)†	108.66p	-2.17*
Lon. day sugar (raw)	$325.6	-13.4
Lon. day sugar (wte)	$381.0	-6.0
Barley (Eng. feed)	121.5u	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	105.00p	+1.50
Rubber (Apr)♥	105.00p	+1.50
Rubber (KL RSS No1)	383.5m	
Coconut Oil (Phil)§	$740.0y	+10.0
Palm Oil (Malay.)§	$512.5y	
Copra (Phil)§	467.0y	+3.0
Soyabeans (US)	211.0	
Cotton Outlook'A' index	87.05	-0.20
Wooltops (64s Super)	446p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb ♥ w Mar. y Feb/Mar x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,983 Set by VIXEN



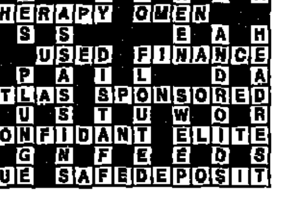
ACROSS

1 Credit entry? (6)
4 Go for pre-arranged display (6)
8 Puzzle – one needs nothing more! (7)
9 Goes off to place many a dispenser around the City (7)
11 Regulation of new ten-man game (10)
12 A dance that's staggering! (4)
13 Making a point over backing first-class woman (5)
14 Don't forget about the constituent (8)
16 His original work is noted (8)
18 Boat building know-how (5)
20 Put up some more army barracks (4)
21 The underworld charged at random (10)
23 A double-crosser's characteristic alternative (7)
24 Being devious, con a dim vagrant (7)
25 Instruct a page to turn back the bed (6)
26 Face coppers in a body (6)

DOWN

1 A Continental city giving its name to a perfume (5)
2 The cover can take in a top man (7)
3 Showing boldness, snap up kitchen equipment (9)
5 Standing for royalty etc, as required (5)
6 A problem for the letter-sorter (7)
7 Portray commercial traveller with grudge (9)
10 One caught in the least error is truly a man capable of violence (9)
13 Plant to close without individual credit (9)
15 Leaves lying around a bill for biscuits (9)
17 Not altogether in favour (7)
19 Mean to declare date of birth? (7)
21 A lot of cattle went on the road (5)
22 An order incorrectly cited (5)

Solution 8,982



INTERNATIONAL CAPITAL MARKETS

Further interest rate cuts prompt nervous reactions

By Martin Brice in London and Maggie Urry in New York

European government bond markets reacted nervously to further interest rate cuts while in the US, longer-dated stocks fell on profit-taking following Wednesday's cut in US rates. Traders await non-farm payroll data from the US today.

Mr David Brown, chief European economist at Bear Stearns International, said: "We are in the last phase of a correction and markets are now starting to think of positive news."

However, Mr Stephen Lewis, of the London Bond Broking Company, said bond markets may have reached a turning point. He said: "After the announcement of the rate cut in the US there was a negative market reaction. It could have been profit-taking. It could also reflect the growing feeling among investment strategists that they are going to see stronger growth in 1997 than expected."

He added: "We are reaching the phase in the cycle where cuts in short-term rates become negative for bonds because they strengthen the case for optimistic growth projections."

GOVERNMENT BONDS

■ German government bonds closed in positive territory after being unsettled by the announcement that the Bundesbank would leave key interest rates unchanged, although the repo rate was cut for the second day running and fixed at 3.3 per cent for two weeks.

Mr Julian Jessop, international economist at HSBC Markets, said: "The markets have run ahead of themselves in expecting the Bundesbank to ease again soon. Nonetheless, the next move is still down."

The curve steepened yesterday, as the yield on two-year paper fell by 5 basis points and that on 10-year paper by 2 basis points, with the spread between the two maturities settling at 227 basis points. On Liffe the March 10-year bund future closed at 100.40, up 0.12. The yield spread of 10-year bunds over Treasuries was static at 22 basis points.

■ French government bonds slipped on news of the 15 basis point cut in the intervention rate because some investors had expected a larger cut, but prices closed firmer.

On Matif the March future settled at 122.80, up 0.02 while March Pibor, which fell on the news, closed up 0.07 to 95.58.

The effect of the rate cut was most evident at the short end, with the yield on one-year paper falling 6 basis points, while on 10-year bonds it moved up 1 point. The spread over bunds rose 4 basis points to 51.

■ Italian government bonds rallied all along the curve on news that Mr Antonio Maccanico had been appointed prime minister designate, with the yield on two-year paper falling 19 basis points and on 10-year bonds by 7 points. The spread over 10-year bunds tightened by 6 points to 426. On Liffe the March future rose 0.22 to 112.75.

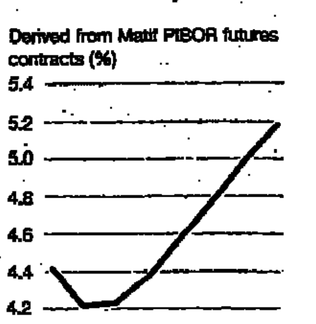
■ The US Treasury yield curve steepened sharply yesterday as long-dated stocks fell on profit-taking by hedge funds following Wednesday's interest rate cut, and ahead of next week's record quarterly refunding.

Near midday, the benchmark 30-year Treasury was ¼ lower at 111$\frac{3}{32}$ to yield 6.055 per cent, while at the short end the two-year note was up $\frac{1}{32}$ at 100$\frac{5}{32}$, yielding 4.900 per cent.

The fall at the long end of the market was in spite of economic news which was broadly positive for bonds. The January report from the National Association of Purchasing Management showed that the manufacturing activity index fell in January from December's 46.0 per cent to 44.2 per cent. A year ago the index stood at 56.3 per cent.

Interest rate expectations

Derived from Matif PIBOR futures contracts (%)



Source: Reuters

Slowing economic growth boosts bond prices as the market looks for further rate cuts.

Inflation news was also good, with the consumer price index rising 0.2 per cent and the core index up only 0.1 per cent in December. That took the year-on-year rise in the CPI for 1995 to 2.5 per cent, the lowest annual inflation rate since 1986. Mr Joseph Liro of CIBC-Wood Gundy said the benign inflationary environment justified the Fed's easing.

The number of people making initial unemployment claims fell by 25,000 last week to 383,000, a shallower decline than expected.

■ UK government bonds took their lead from bunds and Treasuries and were unaffected by domestic economic data. The March future on Liffe closed up $\frac{3}{32}$ at 110$\frac{19}{32}$ while the spread over 10-year bunds was static at around 173 basis points.

S&P joins move by Moody's in rating Gulf states

By Roula Khalaf

US rating agency Standard & Poor's yesterday assigned an investment grade rating to Qatar's foreign currency debt, two days after Moody's awarded the country a below-investment grade rating.

S&P also assigned an investment grade rating to Oman, only one notch below what Oman received from Moody's this week.

In an effort to expand its bank rating business, Moody's surprised the banking industry on Tuesday by assigning unsolicited sovereign ceilings to all the Gulf states, which closely guard their financial information and consider ratings interference in their domestic affairs.

Bankers and analysts this week expressed surprise at the ratings issued by Moody's, especially the relatively low ceiling awarded to Saudi Arabia. The Kingdom received a Baa3 rating compared with Kuwait and the United Arab Emirates's Baa1 and Oman's Baa2. Below-investment grade ratings for Bahrain and Qatar were also surprisingly low, bankers estimated.

Although Moody's has assigned ceilings to financial instruments of institutions based in the country rather than to a country's debt, the agency said the difference was a mere technicality.

"There is a positive aspect to these ratings – that the Middle East is becoming like other countries in the world," said Mr Kevin Taecker of Saudi American Bank. "But the Saudi rating does not give adequate weight and credit to the real advances made by Saudi Arabia in the past few years and fails to recognise the strength of Saudi banks."

Moody's said it was concerned that official reserves and foreign assets have been drawn down substantially to finance persistent Saudi deficits, and that further moves to constrain public expenditure and increase non-oil revenue will be constrained by the difficulties of imposing austerity measures on the Saudi population.

Saudi Officials played down the impact of the rating pointing out that it was unsolicited, produced without their co-operation, and reliant on public information – which is rather scarce in Saudi Arabia.

They said the rating should not increase the cost of funds of Saudi banks, which are net placers of funds with foreign banks and enjoy close relations with their lenders.

The syndicated loan market treats Saudi Arabia as an A credit, at least three notches above the Moody's rating. Top Saudi banks that regularly tap international inter-bank lines are rated by Capital Intelligence, a Cyprus-based agency, as single A (long term), equivalent to four notches above the Moody's ceiling.

Western bankers say institutions with extensive business in the Middle East have their own ratings of Saudi banks and thus are not likely to pay much attention to the Moody's rating.

In the case of gas rich Qatar, Moody's expressed concern that ambitious gas projects will deplete the country's foreign currency denominated debt. S&P, however, took a longer-term view, estimating that while net external debt will double by 1999, gas projects will stabilise government revenue and support the development of gas-related industrial activities, thereby diversifying Qatar's export base and eventually reversing the growth of the public debt burden.

KfW in DM2.5bn offering

By Conner Middelmann

Basking in the glory of its new BIS zero-risk weighting, Kreditanstalt für Wiederaufbau, the German government-owned development agency, yesterday launched its biggest bond to date.

The DM2.5bn offering is a hybrid structure which combines features of German domestic bonds with eurobond characteristics.

Like a domestic bond, the issue, which is for KfW itself rather than its offshore funding arm, will be eligible as collateral for loans from the Bundesbank, as trustee stock, and for investments by certain insurance companies which may not invest in eurobonds. Furthermore, like bunds, the KfW bonds have no tax-call feature, under which bonds get called if the government imposes a withholding tax.

On the other hand, like eurobonds, the paper will be priced today at a spread over bunds (of 23 basis points). Moreover, KfW is widely known in the international investment community and the bonds are expected to see broad distribution, especially in Asia, said an official at Dresdner Bank, joint bookrunner with WestLB.

INTERNATIONAL BONDS

The German federal banking supervisory authority last Friday lowered KfW's risk weighting for German banks to zero from 20 per cent, effectively putting its debt on a par with that of the German government.

As a result, and in anticipation of similar moves by other OECD authorities, spreads on outstanding KfW D-Mark bonds have narrowed by 2 to 3 basis points.

Also in the D-Mark sector, an attractive arbitrage opportunity prompted the Nordic Investment Bank to issue DM500m of five-year bonds. Yielding 32 basis points over government paper, the bonds offer a 5 basis point pick-up over the recent five-year issue of the equally triple-A rated EBRD. Moreover, "we are still seeing good flows, especially from Asia", said an official at lead manager UBS.

D-Mark bond issuance this year has been so heavy it has overtaken US dollar volumes and accounted for a third of the $75bn of bonds launched in January, according to Euromoney Bondware.

D-Marks captured a 33.7 per cent market share in January, against the dollar's 27.4 per cent. In the past two years, dollars have made up nearly 40 per cent of issuance while D-Marks accounted for only 9.3 per cent of issuance in 1994 and 18.6 per cent in 1995.

The sterling sector was also busy, with the Royal Bank of Scotland issuing £200m of 10-year bonds via UBS. The offering coincided neatly with the buy-back of £300m of bonds, due 2004, by the Halifax Building Society, also via UBS.

The bonds were bought back at an attractive 21 basis point spread over gilts, 10 basis points below the level at which they closed on Wednesday.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Tampopo(a)ϕ	93.5	2.00	100.00	Feb.2000	2.25	-	Nomura International
Ford Credit Australia	100	7.75	100.895	Mar.2001	2.00	-	Toronto Dominion Bank
Merrill Lynch & Co.	150	5.50	99.81R	Feb.1999	0.225R	+40(5½%-98)	Merrill Lynch International
D-MARKS							
Kreditanstalt für Wiederaufbau	2.5bn	(f)	(f)R	Feb.2006	0.325R	+23(6%-06)	Dresdner/WestLB
Nordic Investment Bank	500	4.875	99.558R	Mar.2001	0.250R	+32(5¼%-00)	ABN Amro/UBS Germany
Volkswagen Car Lease No.1(s)‡	500	(b)	100.00R	Jan.1999	0.125R	-	Deutsche Morgan Grenfell
SWISS FRANCS							
North East Finance(c)	100	4.25	103.125	Mar.2003	2.50	-	Bank of Tokyo/SBC Warburg
Bank Austria(s)	75	3.50	102.50	Nov.2000	2.00	-	del Gottardo/Merrill Lynch
STERLING							
PM No.1, Class A1(d1)‡	250	(d2)	99.96R	Jul.2037	0.08R	-	NatWest Capital Markets
PM No.1, Class A2(d3)‡	200	(d4)	99.95R	Jul.2037	0.125R	-	NatWest Capital Markets
PM No.1, Class A3(d5)‡	300	(d6)	99.92R	Jul.2037	0.1875R	-	NatWest Capital Markets
Royal Bank of Scotland(s)	200	7.875	98.888R	Dec.2006	0.350R	+42(7½%-06)	UBS
SPANISH PESETAS							
European Investment Bank(e)	15bn	8.90	102.13	Feb.2001	1.625	-	Bco. de Negocios Argentaria
CANADIAN DOLLARS							
GMAC Canada(s)	100	6.75	99.75R	Dec.2001	0.30R	+35(7½%-01)	Barclays de Zoete Wedd

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ϕWith equity warrants. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Exercisable into shares of Promise Co. Fixing: 6/2/96. b) 1-mth Libor +10bp. c) Acting with Hokkaido-Tohoku Development Finance. d) Pendeford Mortgages. Originated by Birmingham Midshires B/S. d1) Callable in Mar.99, 00 & 01 at par. Av life: 1.1 yrs. d2) 3-mth Libor +6bp to Mar.99 & +20bp thereafter. d3) Callable in Mar.99, 00 & 01 at par. Av life: 2.8 yrs. d4) 3-mth Libor +12bp to Mar.99 & +28bp thereafter. d5) Callable in Mar.00 & 01 at par. Av life: 4.6 yrs. d6) 3-mth Libor +16bp to Mar.01 & +36bp thereafter. d7) Also issued: Class A4, £195m; A5, £30m; B, £25m. e) Fungible with Pta20bn. Plus 14 days accrued. f) Priced today. s) Short first coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	113.6170	+0.070	8.00	8.02	8.35
Austria		6.500	11/05	102.2000	+0.090	6.19	6.13	6.43
Belgium		6.500	03/05	101.2600	+0.310	6.31	6.30	6.75
Canada *		8.750	12/05	112.2000	-0.120	7.01	7.12	7.26
Denmark		8.000	03/06	106.4600	+0.200	7.08	6.80	7.37
France	BTAN	7.000	10/00	106.6250	-	5.36	5.41	5.92
	OAT	7.250	03/06	106.1100	-0.190	6.41	6.38	6.70
Germany Bund		6.000	01/06	100.9200	+0.140	5.87	5.85	6.09
Ireland		8.000	08/06	104.6500	-	7.34	7.24	7.55
Italy		10.500	09/05	103.6500	+0.320	9.90†	10.03	10.88
Japan	No 129	6.400	03/00	117.4000	-0.190	1.85	1.73	1.41
	No 174	4.600	09/04	110.8000	-0.270	3.02	2.97	2.68
Netherlands		6.000	01/06	100.4000	-0.220	5.94	5.85	6.11
Portugal		11.875	02/05	114.8600	+0.210	9.36	9.21	9.94
Spain		10 150	01/06	102.8600	+0.350	9.49	9.45	9.83
Sweden		*8.000*	*02/05*	*85.3610*	*-0.270*	*8.38*	*8.25*	*8.69*
UK Gilts		8.000	12/00	104–28	+3/32	6.79	6.70	6.85
		8.500	12/05	107–04	+7/32	7.46	7.38	7.51
		9.000	10/08	111–00	+6/32	7.63	7.54	7.68
US Treasury *		5.875	11/05	102–04	+1/32	5.59	5.69	5.71
		6.875	08/25	111–04	-17/32	6.06	6.10	6.07
ECU (French Govt)		7.500	04/05	104.6400	+0.030	6.80	6.71	7.02

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5 17	Two year	4.95
Prime rate	8½	Two month	5.06	Three year	5.06
Broker loan rate	7¼	Three month	5.05	Five year	5.26
Fed.funds	5$\frac{11}{32}$	Six month	4.96	10-year	5.61
Fed.funds at intervention	-	One year	4.91	30-year	6.07

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	122.62	122.80	+0.02	122.84	122.50	192,605	146,164
Jun	123.14	123.26	-0.02	123.28	123.04	1,308	16,073
Sep	121.94	122.06	-0.06	122.00	121.92	99	2,397

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
120	-	-	-	0.09	0.56	-
121	1.88	-	-	0.20	-	-
122	1.18	-	2.10	0.40	1.08	2.04
123	0.59	1.70	-	0.85	1.46	-
124	0.23	1.23	-	-	2.00	-

Est. vol. total, Calls 14,256 Puts 17,419. Previous day's open int., Calls 192,934 Puts 170,686.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	100.34	100.38	+0.10	100.49	100.06	181842	237381
Jun	99.60	99.59	+0.08	99.67	99.35	1719	11520

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
10000	0.76	0.60	0.84	1.04	0.38	1.01	1.25	1.45
10050	0.48	0.41	0.63	0.82	0.60	1.32	1.54	1.73
10100	0.26	0.26	0.46	0.64	0.88	1.67	1.87	2.05

Est. vol. total, Calls 24384 Puts 18300. Previous day's open int., Calls 244752 Puts 198050

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.70	112.79	+0.26	113.10	112.40	56201	64631
Jun	112.45	112.27	+0.22	112.50	112.05	1478	3125

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	Jun	PUTS Mar	Jun
11250	1.18	2.18	0.89	2.41
11300	0.92	1.94	1.13	2.67
11350	0.70	1.73	1.41	2.96

Est. vol. total, Calls 5585 Puts 11332. Previous day's open int., Calls 63327 Puts 68490

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.37	97.06	+0.31	97.17	96.26	779,242	44,332
Jun	-	96.50	-	-	-	-	1

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110-10	110-19	+0-05	110-23	110-02	67764	142882
Jun	109-29	109-28	+0-05	109-29	109-29	10	1348

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
110	1-14	1-14	1-38	1-58	0-40	1-22	1-48	2-00
111	0-44	0-51	1-11	1-26	1-06	1-59	2-18	2-34
112	0-21	0-32	0-53	1-02	1-47	2-40	2-61	3-10

Est. vol. total, Calls 8082 Puts 2130. Previous day's open int., Calls 34006 Puts 27989

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	91.34	91.58	+0.10	91.60	91.30	2,863	8,584

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-30	120-20	-0-10	121-01	120-12	323,042	327,002
Jun	120-17	120-04	-0-11	120-17	119-29	3,980	31,970
Sep	119-16	119-18	-0-12	119-26	119-13	263	6,249

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Mar	119.82	-	-	119.85	119.49	3597	0
Jun	118.10	-	-	118.11	118.02	860	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu Feb 1	Day's change %	Wed Jan 31	Accrued interest	xd adj. ytd		Low coupon yield Feb 1	Jan 31	Yr. ago	Medium coupon yield Feb 1	Jan 31	Yr. ago	High coupon yield Feb 1	Jan 31	Yr. ago
1 Up to 5 years (22)	123.61	-0.02	123.96	2.46	0.45	5 yrs	6.88	6.89	8.55	6.92	6.92	8.56	7.00	7.00	8.74
2 5-15 years (21)	151.23	+0.12	151.05	2.92	0.00	15 yrs	7.69	7.71	8.44	7.73	7.74	8.56	7.80	7.82	8.77
3 Over 15 years (9)	166.90	+0.14	166.67	2.71	1.02	20 yrs	7.80	7.81	8.41	7.83	7.84	8.56	7.88	7.89	8.68
4 Irredeemables (6)	191.66	-0.03	191.73	2.52	0.00	Irred.†	7.90	7.90	8.47						
5 All stocks (57)	145.61	+0.07	145.64	2.76	0.34										

Index-linked							Inflation 5% Feb 1	Jan 31	Yr. ago	Inflation 10% Feb 1	Jan 31	Yr. ago
6 Up to 5 years (1)	198.36	+0.01	198.34	2.38	0.00	Up to 5 yrs	2.46	2.46	3.83	1.22	1.21	2.54
7 Over 5 years (11)	189.16	+0.10	188.98	1.27	0.00	Over 5 yrs	3.57	3.58	3.89	3.37	3.38	3.70
8 All stocks (12)	189.24	+0.09	189.06	1.29	0.00							

Average gross redemption yields are shown above. Coupon Bands. Low: 0%-7¾%, Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 1	Jan 31	Jan 30	Jan 29	Jan 26	Yr ago	High*	Low*
Govt. Secs. (UK)	95.29	95.31	95.56	95.46	95.62	91.38	96.34	90.22
Fixed Interest	113.85	114.07	114.12	114.27	114.57	109.62	115.23	108.77

GILT EDGED ACTIVITY INDICES

	Jan 31	Jan 30	Jan 29	Jan 26	Jan 25
Gilt Edged bargains	138.4	119.6	94.5	97.4	92.3
5-day average	108.4	97.6	93.4	93.6	94.5

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 1

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅞	100	+⅛	5.13
Abbey Natl Treasury 6½ 03	1000	102¾	103		6.02
ABN Amro Bank 7¼ 05	1000	107½	107¾	+⅛	6.27
African Dev Bk 7⅜ 23	500	106⅜	107⅜	-⅛	6.82
Alberta Province 7⅝ 98	1000	105⅞	106⅛	+⅛	5.27
Asian Dev Bank 6¼ 05	750	102¾	102⅞	+¼	5.96
Austria 8½ 00	400	110½	110¾	+⅛	5.49
Baden-Wuertt L-Fin 8⅛ 00	1000	109¼	109⅜	+⅜	5.46
Bank Ned Gemeenten 7 99	1000	105⅛	105⅜	+⅛	5.37
Bayer Vereinsbk 8⅛ 00	500	109	109¼	+¼	5.55
Belgium 5½ 03	1000	97⅜	97½	+⅛	5.93
BFCE 7¼ 97	150	102⅝	102⅞		5.20
British Columbia 7¾ 02	500	110	110¼	+¼	5.82
British Gas 0 21	1500	14¾	15⅛		7.71
Canada 6½ 97	2000	101⅞	102	+⅛	5.08
Cheung Kong Fin 5½ 98	500	97⅝	98¼	+⅛	6.48
China 6½ 04	1000	98⅝	99¼	+¼	6.84
Credit Foncier 9½ 99	300	111¼	111⅝	+⅛	5.41
Denmark 5¾ 98	1000	101⅜	101⅝		5.03
East Japan Railway 6⅝ 04	600	103¼	103⅝	+⅛	6.10
EIB 6 04	500	100⅝	100⅞	+⅛	5.90
EIB 9¼ 97	1000	107	107¼	+⅛	5.04
Elec de France 9 98	200	107⅜	107⅝	+⅛	5.22
Ex-Im Bank Japan 8 02	500	111⅝	111⅞	+¼	5.74
Export Dev Corp 9½ 98	150	109¼	109⅝	+⅛	5.34
Fed Home Loan 7⅛ 99	1500	105⅞	106	+¼	5.32
Federal Natl Mort 7.40 04	1500	110	110¼		5.96
Finland 6¾ 97	3000	103	103⅛	+⅛	5.05
Ford Motor Credit 6¼ 98	1500	101⅞	102⅛	+⅛	5.35
Ind Bk Japan Fin 7⅞ 97	200	102¾	102⅞	+⅛	5.43
INI Finance 5¼ 98	650	99⅞	100⅛	+⅛	5.29
Inter-Amer Dev 7½ 05	500	110¼	110½	+⅛	6.01
Intl Finance 5¼ 99	500	100⅜	100⅝	+¼	5.11
Italy 6 03	2000	99¾	100⅛	+⅛	6.13
Italy 6⅞ 23	3500	96⅞	97⅜	-⅛	7.26
[illegible]					

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

BANKING FINANCE & GENERAL

JOBS: Successful co-operatives may have lessons for human resource management

Earning an honest living with lentils

Imagine a company without bosses, where you can change your job if you don't like it and where you are guaranteed a job for life. Could such a business exist today and compete as a profit-making enterprise?

It can and it does in Halifax, northern England, where SUMA Wholefoods runs a successful co-operative employing about 60 people. Its origins were among lentil-eating hippies in the 1970s, who became attracted to wholefood and vegetarian lifestyles.

The business has proved determedly idealistic in its principles and, in so doing, has developed employment policies independent of the human resource management theories of the late 1980s and the 1990s which have become fashionable in the largest of companies. Empowerment, flat structures, job flexibility and multi-skilling are not only present in SUMA today, but were there 20 years ago, says Graham Findley, who, as operations co-ordinator, is the nearest thing the business has to a managing director.

While the merest mention of hippies, lentils and co-operatives may be enough to turn the average capitalist stomach, SUMA believes that, at the very time Tony Blair, the Labour leader, is talking of a stakeholder society, there may be lessons to be learned from the democratic structure of co-operatives and other employee-owned businesses. This is particularly true of those which have shown, in a track record established over many years, that they can make the enterprise work.

SUMA is not only knocking on capitalism's door, it has many of the credentials to be considered a fully paid up member of the club. In many respects it is not much different from any other business. It is profitable and turned over £8.5m ($13.09m) in its last financial year as a wholesale health food warehouse and distributor.

Perhaps the biggest difference between SUMA and a conventional business is a pay policy that insists upon equality of wages for all jobs. Findley, who joined the business shortly after its inception, receives an annual pay and benefits package worth about £16,000 ($24,640). The same deal is available to every employee, no matter how new, whether they look after the accounts or sweep the floors.

The only people who are paid a differential are those with children who qualify for an additional "child allowance". The business has found that not all employees can embrace the values necessary to accept a job without a pay ladder. Many recruits also find the lack of hierarchy difficult to get used to initially.

This is why SUMA has developed a sophisticated recruitment and screening process. All job applicants are posted a comprehensive information pack, and all new recruits come on a three-month temporary contract followed by a six-month "trial member contract".

All employees officially adopted into the co-operative are classed as members. Working hours are 9am to 5.30pm, Monday to Friday, with one evening working late, until about 8.30pm. Staff turnover is lower than the industry average and employee commitment high. Work output is fostered largely by peer pressure.

Findley says that people would have to demonstrate some gross incompetence or dishonesty to get themselves dismissed. Generally the membership is sympathetic to those who are struggling or burnt out in a particular job. In those circumstances, they either receive additional training or can change jobs. Job rotation is common among all the members.

Findley himself has been doing his current job for three years and would expect to continue for another year or two before moving to another job, possibly lorry driving, which he says he enjoys. "As it is, I get to take out a lorry on Mondays. I'm little more, ultimately, than an over-promoted truck driver," he says. Driving of one kind or another and warehouse picking are elements of almost every job in the business.

SUMA is unusual among larger co-operatives for preserving equal pay and maintaining a collectively run structure based on one member, one vote. In the early days, employees did whatever jobs they wished from day to day. Decisions tended to be taken by the whole workforce meeting on Wednesday afternoons. The meetings became unwieldy, however, and customer demands could not tolerate a day on which the business effectively stopped running.

Other processes were equally eccentric or, in the case of stock taking and cash security, virtually non-existent. The business was servicing a rapidly growing market. When the market began to attract bigger commercial interests, many of the fledgling co-operatives that emerged in the health food boom went to the wall.

SUMA survived, but not without change. A layer was added to the decision-making structure so that a delegate committee, called a Hub, received views of different working groups, called Sectors, but the system was not without tensions. Decisions were slow and some members were loath to invest management with power.

Today, the business has an elected management committee executing strategies and policies decided at quarterly general meetings. The committee enacts strategy through various company officers: personnel, finance, information and operations. Team working has been adopted and departments now work to agreed goals.

Findley says the business is now stabilised with a strong balance sheet, a broader customer base, overheads under control and increasing profits available for investment in business projects currently under consideration.

Not everything in the co-operative is rosy. Its information sheet for job applicants is frank in its comparisons between the ideal and reality. It says: "SUMA jobs can be a wonderful mixture of manual and mental work, with plenty of personal initiative and creativity. Unfortunately in reality, members get stuck in boring routines, operating beyond their personal competence with plenty of stress and lack of support to complete the cocktail – a normal small business situation." Recognising this problem, it has earmarked training and development as a personnel priority. It believes it is 90 per cent towards the standard of training necessary for Investors in People accreditation, the accepted UK training standard.

The pay structures are accepted, but again this can be a source of tension. The introduction of differentials are discussed from time to time but the membership continues to resist their introduction. As the information pack concedes: "It is a good wage for most manual warehouse workers in this area but poor for managerial staff."

The SUMA members would be the first to accept that co-operative structures are not for everybody, which is why they have developed a complex recruitment procedure to find committed individuals. But the business has demonstrated that true worker democracy cannot be dismissed as a pipe dream. As the co-operative develops, there is every possibility that the business-wide salaries may improve commensurately.

The business is also protected from takeover, in that the employees do not formally own the assets. In the event of its failure, its remaining assets would be passed on to another co-operative. A conventional business structure might be looking for better returns and swifter development, but SUMA measures its success by different standards. "Most importantly," it says in assessing its current fortunes, "sixty well paid jobs with exceptional benefits are now, for the time being, safeguarded in the midst of the low-wage economic desert which characterises much of northern England."

The point seems well made. Given the rampant job shedding among many big employers, it might be time for some more traditional managements to question their own values.

Richard Donkin

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b a n k i n g

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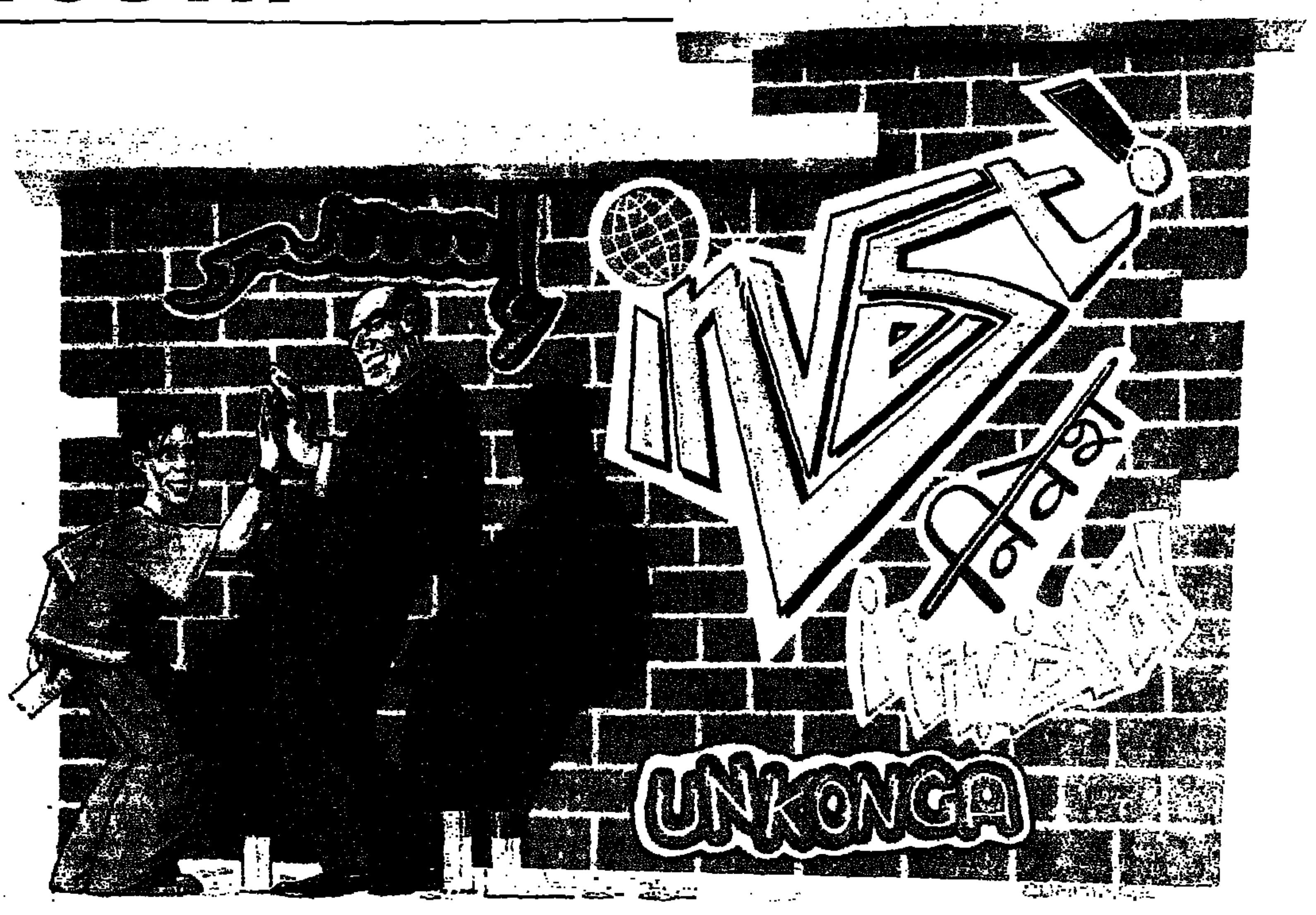
INTERNATIONAL YOUTH

Global companies' most pressing cause

Laurie Morse explains why multinationals are starting to adopt a policy of enlightened self-interest towards the world's increasing number of underprivileged young people



With currencies, commodities, capital and a variety of consumer and industrial products flowing freely around the world, corporations are becoming increasingly aware that they have a stake in the economic health and development of all of the societies where they do business.

It is no longer sufficient to target corporate philanthropy close to headquarters; businesses with international operations now find it in their interests to invest in processes that tackle social problems elsewhere in the world.

The reasons are simple. For any global company, the 1.5bn children that will be born in this decade – four-fifths of them in developing countries – represent the markets, creativity and labour force of the future. By the year 2000, according to the United Nations, there will be 6bn people in the world, and nearly half of them will be under 20.

The pressures on these children from poverty, political upheaval and limited educational opportunities are enormous. Government efforts to meet basic nutritional and healthcare needs have been rewarded with rising infant survival rates, but investment in secondary education and *essential social services* remains inadequate.

Consequently, private initiatives are becoming increasingly important. This looks particularly true in the context of current overseas aid figures. Official development assistance by industrialised countries has dropped to its lowest level in 20 years. Today, the average industrialised nation gives just 0.29 per cent of GDP to aid the developing world.

Furthermore, a larger proportion of government aid dollars, both in developing countries and in troubled pockets of industrialised areas such as the slums of Los Angeles, is being shifted to address the effects of disruption and disaster, *rather than their causes.*

Hence, urban budgets are being hit by the burden of dealing with violence and drug addiction, while dollars for *fighting the probable reasons* for them – such as unemployment – dwindle. The United Nations is finding its expenditure on emergency relief *efforts soaring, shifting the* focus away from fundamental development work.

For a single individual or organisation, the needs of the world's youth and the vastness of the world's poverty can be intimidating. But although the task is overwhelming, it is not impossible. Over the past 30 years, the developing world as a whole has achieved much.

In developing countries on average, life expectancy is now 17 years longer than it was in 1960, 77 per cent of the children are given at least some primary schooling, and a remarkable set of political changes has left two-thirds of the population of the developing world living under what the United Nations calls "relatively pluralistic and democratic regimes".

Although the southern hemisphere's per capita GNP is *only* 6 per cent of the north's, disparities in health, nutrition, and literacy have narrowed dramatically in the past few decades, *forming a framework* for further progress, and offering new markets.

In fact, international aid organisations have calculated that the cost of providing basic social services in the developing world, including health, education, and community development would be an additional $30bn to $40bn annually. That is less than the world spends playing golf or buying wine each year.

In a commercial context, $30bn is the amount the world's private sectors regularly *invest in leading* highway, dam or telecommunications projects.

Of course, the challenge goes beyond cash. Development *experts note that a far wider* range of social resources must be mobilised to take the next, critical steps towards bringing the majority of the world's *youth out of poverty and devel*oping the economic stability required to preserve freshly won political freedoms.

These resources must not only be *provided* by partnerships between governments and non-government organisations in developing and developed countries, but also by businesses, which can offer expertise and organisation as well as capital.

Despite longer life spans, improving educational attainment, and giant steps towards democracy in many regions, the future well-being of dozens of countries still hangs in the balance as they struggle with rising unemployment and the violence and ethnic hatreds that economic deprivations exacerbate.

Regions such as the Middle East, South Africa, and Eastern Europe seem on the verge of a commercial flowering now that political freedoms have been won. However, the suc*cess of these emerging democ*racies may well hinge on the development of their young people as well as the success of their economies.

An example is *Israel*. Seventy per cent of the Palistinian population is under the age of 25. The majority live in poverty and have not been in school after the age of 12. The situation, according to Mr Rick Little, chief executive of the International Youth Foundation, "is a *seething* time bomb which most certainly will affect the business climate of the region".

Corporations have an interest in the successful transitions of these societies, and have much to offer, argues Mr Geoffrey Bush, group community director for Grand Metro*politan, the UK-based interna*tional food and drinks group. "The futures of many of these countries are in the balance, and all of the big players have *to be involved," says Mr Bush.* "Multinational corporations, which often have annual turnovers larger than the GDP of many developing nations, are clearly big players."

For Grand Met, being such a corporation means funding programmes in a broadening *array of countries* and being involved in efforts to build confidence in local economies. At an Indian town where it runs a drinks plant, the company will this year, for example, sponsor an initiative to encourage young entrepreneurs.

The programme, run in partnership with a local organisa*tion, will be modelled on* Grand Met's efforts to foster entrepreneurship in the UK, and has been developed in close consultation with local *managers. Its long-term goal* is to create new small businesses that will increase prosperity in the community and combat rising unemployment levels.

According to its annual report, Grand Met spent approximately 1.5 per cent of its operating profit (£1,032m before exceptionals) on community action projects worldwide in 1995. It encourages mentoring and other volunteer efforts by its employees and also provides advice and consultancy services to other companies that are seeking to improve the well-being of customers and employees in emerging markets.

Corporate involvement often brings innovative ideas to a mix that has historically been dominated by governments and non profit-making aid agencies. The International Youth Foundation, for example, was able to treble funding for a programme for street chil*dren in Ecuador* with the help of J. P. Morgan, the US investment bank. The bankers arranged a debt-for-dollars swap with the Ecuadorian government that gave the Foundation's Ecuadorian partner three times as much local currency for its youth work as would otherwise have been available.

Often, corporations can meet a need with just a little imagination. British Airways, for example, decided to collect spare change from its international airline passengers and donate the proceeds to Unicef, the United Nations Children's fund. The programme, called Change for Good, raises some $200m annually, and has been imitated by other carriers.

More and more companies are also working to improve their operating enivronments by offering role models and mentors to young people in their communities, rewarding employees for volunteer youth work and providing leadership on issues that are of critical importance to the young.

Says Mr Richard Schubert, former president of Bethlehem Steel, and now chairman of the Peter F. Drucker Foundation, which aims to help organisations in the social sector: "The problems of the world's youth are everyone's problems. It's not a government problem – governments have proved all over the world that they are not good at addressing youth issues. It takes a concerted effort by families, communities, and companies, as well as government, to make a real difference."

Microcredit: by Simon Kuper

Small loans, big impact

Children are often the beneficiaries when microbanks lend to female entrepreneurs

If a poor man in India earns 100 rupees, he spends 40 of them on feeding and educating his children and buying them health care. But a poor Indian woman who earns the same amount will spend Rs92 on her offspring. The figures, from a recent survey presented to the Indian parliament by Ms Ela Bhatt, chairperson of Women's World Banking (WWB), are being quoted by aid organisations worldwide. They are often used to support the view that microcredit is the big new idea in development.

Microbanks make loans averaging $500 each to poor entrepreneurs. Most of the borrowers are women, who often find it hard to get loans from commercial banks. They borrow from microbanks at commercial rates of interest, yet worldwide about 95 per cent of them repay on time. This may be because microcredit is tapping the most gifted women entrepreneurs who have been ignored by commercial banks.

Almost all the clients' profits go straight to children; women are less likely than men to leave their families, and among the very poor are often the heads of households.

Mr William Day, director of Opportunity Trust, an Oxford-based charity working in microcredit, says: "They are often able to give their children a meal a day where they weren't before, or to educate their daughters."

Also, because most microcredit schemes oblige borrowers to save, too, they provide some security against bad times. "Families can provide the chloroquine if the child gets malaria," says Mr Day.

Ms Nancy Barry, president of WWB, says: "What you see countless times is young children, particularly girls, going to school due to the growing income and confidence of the mother."

The successful parent may be more likely to have higher hopes of her children. Mr Mark Havers, a microcredit consultant at the Springfield Centre in Durham, explains: "It is possible to run a microbusiness if you are illiterate, but it makes you realise how much better you could run it if you had an education."

Unlike other forms of development, the schemes quickly pay for themselves. "The most exciting thing about microcredit is that it has come tantalisingly close to being self-sustaining," Mr Havers adds.

Already some commercial banks, particularly in South America, are moving into microlending. In Paraguay, a foundation recently issued bonds to finance microloans. "You can make money at this," says Ms Barry. "These people repay their loans better than corporate clients."

Currently only about 2 per cent of the $60bn in overseas aid paid out each year goes to microenterprises, but the figure is rising. New microbanks have sprung up recently in countries such as the Philippines and Vietnam. Ten years ago, says Ms Barry, "there was basically no lending to microenterprises". In 1995, 10m new microloans were made worldwide. Next year, an international summit on microcredit in Washington will set a target of 100m new loans in 2005.

According to Ms Barry, poor people need capital more than infrastructure. "The problem is not that there are no clinics and schools, but that parents can't afford to send their kids to schools – they need them in the fields," she says.

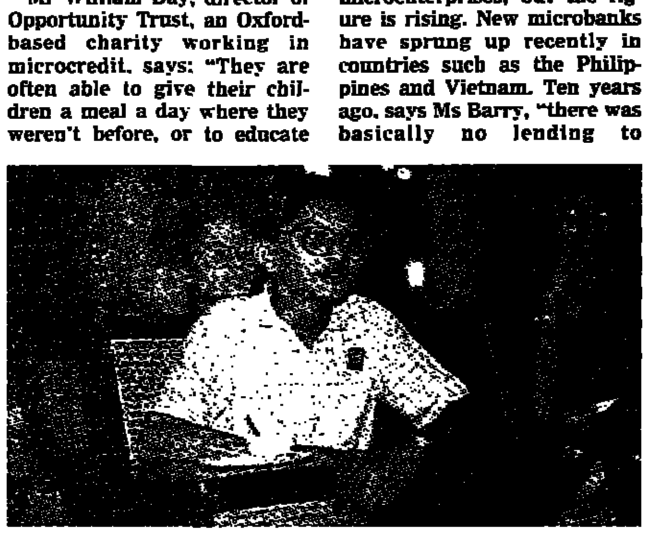
Even the World Bank, for long regarded as a funder only of huge infrastructure projects, is stepping up its microlending. Last summer, it and other international donors formed the Consultative Group to Assist the Poorest (CGAP). The donors pledged $200m between them, of which the World Bank's share was $30m. "The bank has dipped its toe in the water," says Mr Day. But more important than the size of the World Bank's gift, is the signal it has sent to other donors and governments. "This is the most important event in the world of micro-finance. The money will flow," Mr Ismail Serageldin, a World Bank vice-president and the chairman of CGAP, said when the group was founded.

But Mr Day has mixed feelings about the fact that banking giants are moving into his sector. He cites a microcredit programme in the Philippines with a loan portfolio of just $2m: "It works because of personal trust, the closeness of its staff to the borrowers. If you pump a lot of money into an organisation like that, it will lose those qualities."

Others warn that as microbanks search further for business, they will be more likely to make ill-judged loans.

Mr Havers says the extra money flooding in will stretch the managers of microbanks. "In this country, we spend God knows how much on banking supervision, and still banks go bust," he says. Also, he warns, research appears to disprove the microbankers' mantra that microcredit helps "the poorest of the poor".

He says: "The bottom 10 per cent are too concerned with just staying alive to start microenterprises."



Microcredit could mean more Indian girls will be sent to school

Angry young men? The revolutionary Algerian party, the Islamic Salvation Front, increasingly relies on support from the under 25s Magnum

The business implications of political unrest: by Simon Kuper

The rebel yell demands attention

The problem of disaffected youth is an issue few multinationals can afford to ignore

Young people are less likely than their elders to have jobs; more likely to commit violent crimes; and more likely to make revolution. True or false?

Examples abound in support of the "true" camp. Almost half the under-25s in Spain are unemployed; there was hardly a middle-aged person among the Asians who rioted in England's Bradford last spring; the fall in the crime rate in New York and London coincides with a fall in the number of teenagers.

Look for evidence of connections between the young and revolution and you will not be disappointed. It is, by and large, the youth of Algeria – where more than half the population is under 25 – that supports Islamic fundamentalism. In Gaza and South Africa, where up to two-thirds of people are under 25, it was young people who fought the regimes' police forces in the streets.

The spirit of rebellion is a traditional raison d'être of youth. This could be one of the reasons why young people in different countries have different political affiliations: young Palestinians are likely to be more pro-democracy than their elders, whereas young South Africans are often on the political far left.

What unites the young rebels of the world, however, is a willingness to use force. "You aren't going to see the 50-plussers in the streets," says Mr Rick Little, chief executive officer of the independent International Youth Foundation.

Of course, the fire of youth is not universal. In Russia, for instance, the people who reacted against the status quo and voted communist in last year's elections were the pensioners. Young Russians are sufficiently few in number and have enough skills to make them relatively confident about the capitalist future.

But if prevailing social and economic conditions can temper the fire, they are just as likely to ignite it. Mr Little says 97 per cent of population growth in the next decade will be in poor countries. The presence of youth is therefore a big issue for any business moving into an emerging market. Violent or unskilled youths in Algeria, Gaza and South Africa have put off many investors. In countries such as Bosnia or Angola, young people can remember little more than war.

But businesses cannot simply do business only in one half of the world. South Asia, for instance, offers both high economic growth and a huge young population. Mr Little says businesses and governments must therefore develop strategies aimed specifically at youth. Security analysts tend to ignore the issue, he says. "It's as though it is the elephant in our living room that we all somehow overlook."

There are, of course, exceptions among governments and businesses. Most young South Africans are unemployed and, because of the black schools boycott of much of the last two decades, they are unskilled, too. The Pretoria government is rare, says Mr Little, in "including an explicit strategy on youth development", spanning realms from training to housing. "Part of this was driven by foreign multinationals that were encouraging government and local business to take an active role on these issues," says Mr Little.

Grand Metropolitan, the UK food and drinks group, funds youth programmes in South Africa and elsewhere. Mr Geoffrey Bush, group community relations director, explains that money spent on the young has a good chance of making a difference, because it goes to people whose direction in life often hangs in the balance.

But Mr Hugh McLean, a project manager at the Joint Education Trust in Johannesburg, is despondent about business. He concedes that some companies have stopped simply recruiting trained young people and have begun entry-level training programmes. But he says that South African business feels it has to become more competitive internationally before it can start doing much for the young. The fact that most crime takes place in the townships also makes it easier for businesses to turn a blind eye.

Dr David Downes, professor of social administration at the London School of Economics, is similarly uncomplimentary about UK companies. "I don't think there's been a very sustained or widespread commitment by business to youth," he says. Dr Downes believes that what companies do for youth with the one hand, they often undo with the other.

"The main thing that businesses can do, and I don't know how you can get them to accept it, is not to downsize and not to de-layer," he says.

Most criminologists now believe in a close link between the crime rate and the level of male unemployment. "The property crime rate in particular is very sensitive to the business cycle," says Prof Downes, adding that Japan's policy of trying to avoid unemployment even in bad times has helped the country achieve its very low levels of crime.

But the problems posed by youth across the world can seem insoluble. And there is no sign of let-up: by the year 2000 about half the people in the world will be under 20. The countries with lots of young people are usually the ones least able to provide for them.

"The schools results in South Africa this year were a complete disaster," says Mr McLean. "And even if you pass well, there probably won't be a job waiting for you." South Africa, he adds, like much of the rest of the world, seems to be on a jobless growth path. Mr Little believes governments must invest more in education and in creating jobs. Others go so far as to say that in emerging markets, companies and governments should accept lower growth as the price of skilling, employing, and pacifying young people.

The International Youth Foundation: by Laurie Morse

'Soft' philanthropists under fire

The IYF is seeking 'caring' companies. But those wanting quick-fix solutions need not apply

Although the global need for youth programmes and opportunities has never been greater, there are currently few global social enterprises whose objective is child welfare. Philanthropy often amounts to responses to crises rather than long-term commitment to projects.

The International Youth Foundation, the brainchild of Mr Rick Little, a middle-class young man from Ohio, and supported by the W.K. Kellogg Foundation, however, is different. With its focus on young people between the ages of 5 and 20 and its dedication to supporting successful existing youth programmes, the IYF acts as a channel between community youth programmes in 30 countries and corporate foundations around the world.

"More than ever, the success of business is directly related to the success of societies, families and communities in preparing a competent work force. We consider it good business to view corporate philanthropy not only as charity, but as wise and strategic investment in our future," says Mr Arnold Langbo, chairman of the Kellogg Company. The IYF, Mr Langbo says, provides a much-needed service to business leaders who want to invest their limited resources wisely: "We have confidence that programmes identified and endorsed by the IYF are worthy of our support".

As well as primary school children, the IYF seeks to help those who require the kind of education and opportunities that will ease their transition into adulthood. Its focus on continuing programmes – rather than start-ups, also makes the Foundation unusual.

"There is a propensity for the private sector to want to fund the things that are new and different. A surprising number of foundations rarely want to fund a project beyond three years, preferring instead to move on to the next new 'issue'. At the IYF, we screen programmes for their effectiveness, their scale, and most particularly, their sustainability," says Mr Don Mohanlal, the IYF's chief operating officer.

Launched in 1990 with a $68m grant from Kellogg and its sister foundation, the IYF has a 12-year charter to link socially-aware corporations to youth programmes in the US and globally.

Halfway through its mission, the IYF has established partner foundations in eight regions, most recently in Slovakia and southern Africa. Through its Youthnet International, it connects the people and practices of 130 successful youth organisations in 30 countries. Youthnet strengthens its members by encouraging shared learning, leadership development and programme exchanges. All of the network programmes are rigorously screened for their effectiveness in reaching the needs of youth in their communities.

The regional foundation partners are partly endowed by the IYF and partly by governments and local corporate donors to make grants for youth programmes and provide a means for direct action. In countries such as Poland and East Germany, where there has been little history of individual corporate philanthropy, and where Communist-funded youth opportunity projects are quickly vanishing, IYF-linked foundations are working to fill the gaps.

In other regions, such as Asia and Latin America, IYF challenge grants are bolstering organisations with track records of successful youth work.

Foundation executives note that, too often, there is a "spray and pray" approach to corporate philanthropy, with little analysis of the effectiveness or the long-term implications of the gift. IYF seeks to move beyond this and get companies to understand the links between community stability and community investment.

"What is coming next is a much more strategic approach to philanthropy," says Mr Little, IYF's founder and president. "Philanthropy should not be a 'soft' undertaking. We're trying hard to get companies to play constructive long-term roles in achieving progress on youth issues around the globe. There are a lot of companies doing very creative things, and more and more companies are realising they have a vested interest in these activities."

Halfway through its founding grant from the Kellogg Foundation, the IYF is facing some strategic issues of its own. During the past two years it has focused on engaging the regional partner foundations and weaving together Youthnet. However, IYF executives are increasingly looking for ways to elevate the global focus on youth more quickly, and, at the same time, arrange to sustain the Foundation beyond the life of the Kellogg grant.

> 'We're trying hard to get companies to play long-term, constructive roles'

Later this year, the IYF will relocate its small staff from pastoral Battle Creek, Michigan, where it has had office space close to Kellogg, and move headquarters to Baltimore, where it will be better positioned to identify the urban problems in the US and be in close proximity to policy-makers in Washington.

On an operational level, IYF executives say that Youthnet has proved to be a far more demanding undertaking than first thought and the organisation is directing more resources towards its management. And while the work of the eight regional foundations has been remarkable, the process of setting their social goals around the world is not progressing fast enough for IYF executives. For the next stage of its development, the IYF plans to enlist the help of an élite group of multinational companies that will promise to dedicate themselves to youth development issues.

The "Caring Companies" initiative, which the IYF hopes to launch within a year, will ask multinationals to go beyond "feel-good" philanthropy and dedicate volunteers as well as cash, to the youth effort. "We will risk being controversial because the issues are so critical and so profound, we can't afford to dance around them anymore," says Mr Little.

The standards that will be set for the Caring Companies are still evolving, but Mr Little says four main areas seem to be developing. Multinationals that subscribe to the IYF philosophy will:

- agree to devote a certain portion of pre-tax profits to youth programmes;
- promise not to harm children in the process of manufacturing or marketing their products;
- engage in solution-related marketing that will offer opportunities for youth;
- require employees to become involved with community programmes on a regular basis, and reward employees for this involvement.

The Caring Companies initiative, IYF executives hope, will be adopted as a model for corporate action around the world.

Contact: Mr Douglas Franklin, director of social marketing, The International Youth Foundation, 67 West Michigan Avenue, Suite 608, Battle Creek, Michigan 49017, USA. Telephone: 616-969-0033.

■ **Education and technology:** by John Authers

The keyboard jungle

New controversy surrounds the use of IT and multimedia in the world's schools

Information technology could be the tool to rescue the world's children from poorly performing education systems.

Heavy investment in computers over the last decade in the developed world has been intensified in the past few years as schools attempt to take advantage of on-line technology such as the Internet, which is relatively cheap to disseminate.

Governments hope that new technologies will help create education systems that will spread choice and opportunities to more people.

However, there are serious doubts about whether IT can help make significant improvements in the levels of literacy, numeracy and other academic achievements. And governments also face a serious resourcing problem. Computers are more expensive than textbooks, they are more prone to damage in the hands of unruly children, and they depreciate much more quickly. Technological advance might actually widen the gap in academic achievements between poor and wealthy countries.

Research so far suggests that technological initiatives are most effective in schools when every child is given access to a computer. Apple, the computer manufacturer, gives Internet reports on the Acot (Apple classrooms of tomorrow) scheme, which started in 1985. Targeting groups of children in inner-city schools in Ohio, Tennessee and California, particular classes were allowed intensive use of computers. As a result, absenteeism reduced markedly, and the project also noted improved results in external tests in literacy and numeracy.

Discipline was easier to maintain, with teachers reporting that the "kids don't act up". Lessons also became more "pupil-centred" with children displaying more pride in their work. But pupils in the project were originally given two computers each. Although this ratio has been reduced over time, the expensive principle of allowing extensive access to the computers remains.

The research is not yet conclusive, however. Studies on students taking a logic course at Stanford University in California suggests that multimedia "can have a detrimental effect on certain students' abilities to learn". Professor Keith Stenning, of Edinburgh University, who examined the students, found that some actually regressed.

Suggesting that more educational research was needed before heavy investment was made, Mr Stenning expressed a concern that "the technological push behind these systems is dictating their direction, not educational needs".

Integrated learning systems, a more radical technology, have also been shown to have distinct benefits in tests, improving literacy and numeracy levels significantly. These systems involve the most radical departures from traditional teaching, with the software not only bombarding pupils with questions as they sit at the screens, but also marking their answers, producing reports, and deciding whether they are ready to advance to a more difficult level.

In a pilot scheme in the UK, Leicester University found that the system sharply raised standards. In mathematics, students made the equivalent of 20 months' progress during their first six months of using the system.

There are also improvements, although less impressive, in literacy.

Research by the National Council for Educational Technology, a government body answerable to the UK's education department, found significantly improved educational results for classes where each child was issued with a portable computer, with children taking much more care over their accuracy, and using the opportunity to improve the presentation of their work.

Many teachers construed this as showing the importance of individual access to a machine, rather than any great benefits of portability.

Whatever their subtler implications, all these surveys demonstrate the problem of cost, particularly in cases where it seems the greatest benefits are achieved by having one machine per pupil. Integrated learning system software does not come cheap, and the national council, after an extensive evaluation, advised that there were benefits to be gained, but schools should not make the systems an investment priority.

That the business of education is becoming more expensive clearly creates a problem for developing nations competing with wealthier rivals on educational performance.

On-line technology – such as the Internet, which American universities played a pivotal role in developing – is supposed to offer an answer, allowing relatively cheap worldwide dissemination of education materials. However, it has so far only affected the delivery of education, rather than its content or its quality.

Its greatest use so far is in improving "distance learning", allowing students and trainees to have their lessons piped to them on-line, without coming into contact with their teachers. Coupled with video-conferencing, this has had an impact in remote sparsely populated areas such as the Scottish islands and the Australian Outback.

The technology could also be used to foster greater community spirit. The Organisation of Economic Co-operation and Development last month called on its members to establish lifelong learning as a norm and suggested that schools should become "community learning centres".

Countries such as Singapore and Malaysia are attempting to link all their schools to the Internet. Meanwhile, schools technology is becoming a heated political issue in the UK, where the opposition Labour party reached an agreement with British Telecommunications to provide a fibre-optic link to each school.

In some cases, the Internet can help schools save money. If teachers can access "virtual" practical demonstrations on-line they can, in theory, cut back on equipment costs. Most famously, an American university put a "virtual frog dissection" on the Internet; the "lesson" is now widely used.

But the technology at the moment is just a method of delivery, with teachers using it to access curriculum materials, and pupils rarely spending much time on-line themselves. To change this would, again, require heavy infrastructure investment in schools' networks, and a change to teaching practices. For the developing world, the costs could prove prohibitive.

The ideal on-line line up? A multimedia lab in Kent, England. For developing nations, the cost of one machine per child is prohibitive Ashley Ashwood

Below, and on the next page, Financial Times correspondents report on the development of youth projects around the world

Impoverished children sleep by the warm air vents from São Paulo's underground Folha de São Paulo/Oscar Sabetta

■ **Brazil:** by Angus Foster in São Paulo

Too many 'fine words', too few social reforms

In the long-term, only government action will solve the street-children problem

Kelly and Jonathan are articulate and extrovert Brazilian teenagers with the same dreams as the rest of their generation: to study, get a good job and settle down. But their lives have not always been so conventional. They are also former São Paulo street children. Kelly, now 17, was a crack addict at 13 and Jonathan, 15, was in juvenile detention aged 12.

More than a decade after Brazil's street children became internationally recognised, the country's huge social problems continue to force some children to live on the street, and many more to live from it. Although some programmes to remove children such as Kelly and Jonathan from the street have been successful, experts agree that solutions to the tragedy require Brazil first to tackle underlying, long-term problems. The gap between rich and poor in Brazil is one of the most glaring in the world. The poorest 20 per cent of Brazilian families receive a fraction of total income (just 2.4 per cent in 1983, according to a World Bank economic review published last September). The urgent need to use income purely to subsist means few can enrol in secondary schools; the country's education record is dismal.

"It's praiseworthy that some sectors of society are trying to help with street children programmes. But you can't be optimistic without a fundamental change in the views of the country. It can't just be fine words," says Ms Irene Rizzini, an academic who has studied the issue of street children for more than 10 years.

Quantifying the problem is difficult in Brazil, where government statistics are often poor. A 1993 assessment in São Paulo found 4,500 children on the city's streets by day, and fewer than 900 at night. Other big Brazilian cities – including Rio de Janeiro, Salvador and Recife – may have larger street children populations, but disparities between day and night populations are probably similar.

Many children on the streets during the day are there for economic reasons. Rather than go to school, they are expected to contribute to their family's income by shining shoes, collecting rubbish or begging. Only a minority have completely broken with their families and no longer have a home to return to at night.

This has prompted Unicef, the UN's children's fund, to say the term street children is misleading because it cannot differentiate between children working and living on the street. "We believe that the public should be educated to understand that extreme poverty is the problem and not street children per se," says Ms Vesna Bosnjak, who works for Unicef in Brazil.

Those children who do live on the streets have often fled from alcoholic and violent parents. Many have suffered parental neglect. One of the most successful street children projects, known as Projeto Axé in the northern city of Salvador, is managing to return about 85 per cent of its children to their families, after carefully working to sort out the problems of both the child and the parents. One reason for Axé's success is that it only employs professional child educators and has shunned well-meaning but unqualified assistants. Despite its good name, the project ran into financing problems last year, before being saved by a foundation set up by the family of the deceased Brazilian racing driver, Ayrton Senna.

Mr Cesare de Florio la Rocca, the project's president, says non-government organisations cannot solve the problem. "We need to speak less and less about street children, and more and more about things like education and health, and these problems are up to the public institutions," he says.

SOS Criança, a project in São Paulo, financed by the state government, is a good example of how governments can do both good and harm. Under the former state governor, the project ran out of money and was badly managed. According to Kelly, children like her were locked in a room all day and only allowed to leave to go to the bathroom.

With the arrival of a new governor and new co-ordinator, Mr Paulo Vitor Sapienza, the project is again tackling problems rather than containing them by incarceration.

"It was a radical change of culture from that of a prison, which is much easier to manage, to one of presence, where you always have to be present. Do you lock your own children up for doing wrong? Of course not, you talk to them," he says.

Nearly everybody working with street children agrees that improving Brazil's primary education system could relieve many of the problems. The system is not only sometimes failing to educate – illiteracy reaches 33 per cent in parts of the country – it is also contributing to children drifting onto the street out of boredom with badly taught lessons, which prevent pupils advancing through the system.

For many children, especially those with weak family structures, the street represents everything desirable that school does not: adventure, fun and freedom.

The central government is launching various initiatives to improve basic education. Some cities, including Brasilia and Salvador, have introduced school incentive programmes that reward families whose children stay in school – as compensation for lost income once the child stops working.

Despite promising results, improving primary education often relies on state and municipal governments, many of which still see education as a luxury that only has to be addressed close to elections. In north eastern Brazil, for example, it is still not uncommon to find school buildings where construction stopped soon after an election. Inefficiency, corruption and waste further compound the problem. The UN's Economic Commission for Latin America (Cepal), estimates governments should spend a minimum of US$215 per student for each year's primary education. In the Brazilian state of Maranhao, which has some of the worst rates of illiteracy, the spending in some areas is $88.

■ **The US:** by Christopher Parkes in Los Angeles

Pressure cooker that won't cool down

Why it will take more than Magic Johnson and job creation schemes to cure LA's ills

Nominal links between Magic Johnson and Toyota may be tenuous. But the all-American baseball hero and the Japanese automotive group have much in common in the mean streets close to central Los Angeles – the area burnt and looted in the 1992 riots.

In a place bereft of big business, high-class supermarkets, department stores and the crowds of suburban visitors formerly enticed by "ethnic" restaurants and music clubs, they are key to an effort to spark a social and economic recovery.

Magic Johnson's investment in a new multi-screen cinema complex that bears his name, and Food4Less, a low-cost food chain, play an important part in restoring an air of normality. The movies provide relatively cheap entertainment. The food store allows low-budget families to live reasonably on scant income.

Meanwhile, Toyota restores a sense of purpose for at least a few of the area's deprived young people. With a $600,000 annual endowment and an open-ended commitment to train auto mechanics, fitters and sales staff, the group has established the Automotive Training Centre on a site long-since deserted by an Oldsmobile sales franchise. At no cost to the students, the centre turns up to 100 operatives with 90 days' intensive training on to the jobs market every year.

The data – 80 per cent of "graduates" quickly find jobs, about 15 per cent of each group intake drops out – would be unremarkable were it not for its comparison with the world outside the centre, where statisticians find more fruitful pursuits in counting murders, armed robberies, drug deals and illegitimate births.

The Urban League, a middle-class black self-help association that co-operates in the running and staffing of the centre (70 per cent of the students are African-American and most of the others are Latinos) hopes that the continued success of the Toyota scheme will set a precedent for company involvement.

But there are few indications that the desired effect is materialising. At the same time, federal aid to inner cities is being screwed down by budget cuts. The Youthbuild programme – in which young people are provided with crafts training in the construction trade and employed on contracts to build new homes or restore old housing – has been especially hard hit. Last year's 25 per cent cut in the budget for Washington's Housing and Urban Development department led directly to a loss for Youthbuild of almost $140m.

But money is only part of the problem in California – the seventh biggest economy in the world, which is currently generating jobs at the rate of about 20,000 a month. Much greater obstacles are thrown up by the fragmented nature of the effort to salvage something from the wreckage of inner-city areas.

The providers of funds, advice and constructive help for inner areas of Los Angeles are many and scattered. They tend to be as intensely jealous of their territorial and ethnic "rights" as any of the so called gang-bangers they are trying to assist.

For example, some $5m in funds for Youthbuild programmes in LA last summer was carved up variously between an apartment-building project in Little Tokyo, Filipino-Americans, Pacific islanders, an Asian-American anti-drugs programme, a house-building project for low-income residents in South Central and a community outreach project sponsored by the University of California, Los Angeles.

Although there is a measure of collaboration – some 40 youth-oriented aid organisations are grouped together in the Los Angeles Urban Youth and Family Coalition – mistrust and the divisive tendencies that pitted the racial and social groups against one another in the 1992 riots are still all too evident.

If, in a city where the streets teem with jumbled micro-cultures, young people have a common heritage, it is one of alienation. Being "dissed" – treated disrespectfully – is the norm. Two-parent families are as scarce as jobs, and the 20-year-old man who has not been to jail is exceptional. Crack cocaine, as they say in Californese, is the "drug of choice".

Now, moves led by the Californian state government to scrap "affirmative action" initiatives, which have for many years helped ensure work and education for under-qualified youth, the disadvantaged and people from racial minorities, seem likely to ensure that tensions are kept high in the pressure cooker of inner Los Angeles.

■ **South Africa:** by Mark Ashurst in Johannesburg

The young lay to rest the slogan of struggle

'Liberation before education' has been replaced by a stress on youth opportunity

In the run-up to the historic election that swept him to power in 1994, the South African president, Mr Nelson Mandela, suggested the minimum voting age be reduced from 18 to 14. Though not a serious proposition, it highlighted a growing dilemma for the fledgling democracy: half the population is under-18, politicised and ambitious for a better future.

Reliable demographic data is hard to find in South Africa, but a collage of independent surveys offers a rough portrait of the youth population. Unicef reports there were 16.4m under-16s in South Africa in 1995. A study by the independent Community Agency for Social Enquiry in 1993 found there were another 10.7m youths aged 16-30, of whom 8.1m were black Africans.

Consensus-building committees abound in the new South Africa and, true to the nation's style, this year's first Parliamentary session will approve the setting up of a National Youth Commission. Mandated to "create a youth policy aimed at preventing youth marginalisation...and affording them optimal access to opportunities", the commission will advise government on issues affecting youth and co-ordinate development initiatives in both the private and public sectors.

There has been some speculation that Mr Mandela will head the commission himself. To do so would be to acknowledge the debt the new political élite feels it owes the youths who spearheaded the 1976 student uprisings in Soweto, and its keen sense of responsibility for the years of education boycotts that followed.

The first day of the Soweto riots is now a national holiday, but the struggle took a heavy toll. A year after Mr Mandela's release from prison in 1990, at least 1.7m students aged six to 18 were not attending school. By 1994 more than 42 per cent of 15-30 year-olds were jobless, with unemployment running at a much higher level among blacks (45 per cent) and mixed race or coloured groups (40 per cent) than whites (12 per cent) or Asians (29 per cent).

Today, the struggle slogan "Liberation before education", has been superseded by a remarkable shift in attitudes. A pan-African survey by McCann-Erickson, the advertising agency, in 1995, found young people in all countries to be "hugely preoccupied" with education, which was widely identified as the only reliable means to escape poverty. The principles of negotiation, cultural and racial tolerance, and the rejection of violence now enjoy unanimous support from all races.

But, although thousands of township children last year took up desks for the first time in formerly white primary schools, a large part of the higher education system remains in turmoil. Johannesburg's University of the Witwatersrand, which has accepted black students since the 1980s, last year became the scene for a dispute that probably did more than any other recent event to revive latent racial solidarities. The December suspension of Professor William Makgoba, the university's first black deputy vice-chancellor, following charges from 11 white academics that he falsified his CV and neglected routine duties, sparked student unrest reminiscent of the 1980s.

The post-Christmas publication of high-school examination results revealing a failure rate of 45 per cent, up from 42 per cent in 1994, did little to ease frustration over the slow pace of transformation at this traditionally liberal institution.

Although Professor Makgoba's suspension was lifted last month in the interests of securing a fragile peace before students returned to campus, the stage is set for further confrontations this year.

The other key problem affecting youth is economic. The National Youth Commission may have the ear of government, but it can do little to repair the underlying structural problems inherent in the current South African boom. Rising investment and more competitive practices could bring GDP growth of up to 4 per cent this year, but the concomitant phasing-down of protective conditions and the decline of labour-intensive mining and manufacturing industries has precipitated a period of employment growth.

Soweto youths: a new commission aims to act in their interests *Elaine Little*

Private sector development initiatives targeted at the under-30 age group remain modest, but seem to be increasing. Among the most recent ventures is the Mamelodi Educare centre, a township health education centre outside Pretoria sponsored by Shell SA, the oil company.

The world's biggest educational non-governmental organisation, the Ort-Step Institute, has also launched an education and skills training project with an initial intake of 35 students. The R600,000 cost has been funded by the National Economic Education Trust, the education arm of National Sorghum Breweries.

■ **Egypt:** by James Whittington in Cairo

Job hopes rise

Efforts to reduce the rate of youth unemployment are making slow, but sure progress

The underprivileged majority group: 42 per cent of Egypt's 60m people are under 15; 80 per cent of those without jobs are under 25 *Elaine Little*

Egypt has suffered a rude awakening to the problems and frustrations of its youth.

With 42 per cent of its 60m citizens under the age of 15, the country is sitting on a time bomb that has already threatened to go off, unless drastic measures are taken to reform an antiquated economy and create more jobs.

The problem was highlighted towards the end of 1992 when the country was hit by a wave of terrorist attacks by Islamic militants who vowed to topple the government of President Hosni Mubarak. The majority of insurgents arrested turned out to be young and bored Egyptians who had either been damaged by, or become disillusioned with, the government's policies. Of a group of seven militants who were executed for attacks on tourists in 1993, for example, three were aged below 20.

For the time being, iron-fist security operations and extra money for development in the poorer areas of Egypt have – with the exception of some rural regions in the southern province of Minya – contained the Islamist violence. But the economic and social malaise that fuelled the trouble remains.

"What to do with the country's youth is perhaps the biggest problem facing Egypt at this time. The danger is that unless they are kept occupied and given jobs and a sense of responsibility they will remain highly susceptible to the fanatical brands of Islam which will lead to more unrest," says Ms Vanessa Tobin, a representative of the United Nations Children's Fund in Cairo.

The task is one of Herculean proportions. The unemployment rate is 17.5 per cent or 2.8m people, according to the World Bank. Eighty per cent of those without jobs are under 25 and most have had schooling up to the level of technical colleges.

The youth problem has been compounded by a government scheme that became law in the 1950s. Under it, all graduates were offered a job in the government or public sector. As the number of graduates far outnumbered the number of jobs available a huge waiting list developed. Last year, for instance, saw the intake of 1986 graduates.

"With the private sector still in the early stages of development in Egypt, today's youth have been caught in the transition of economic restructuring from a nationalised to a privatised economy," explains Mr Ezzeldin Shawkat, a consultant with the government's Social Fund for Development (SFD).

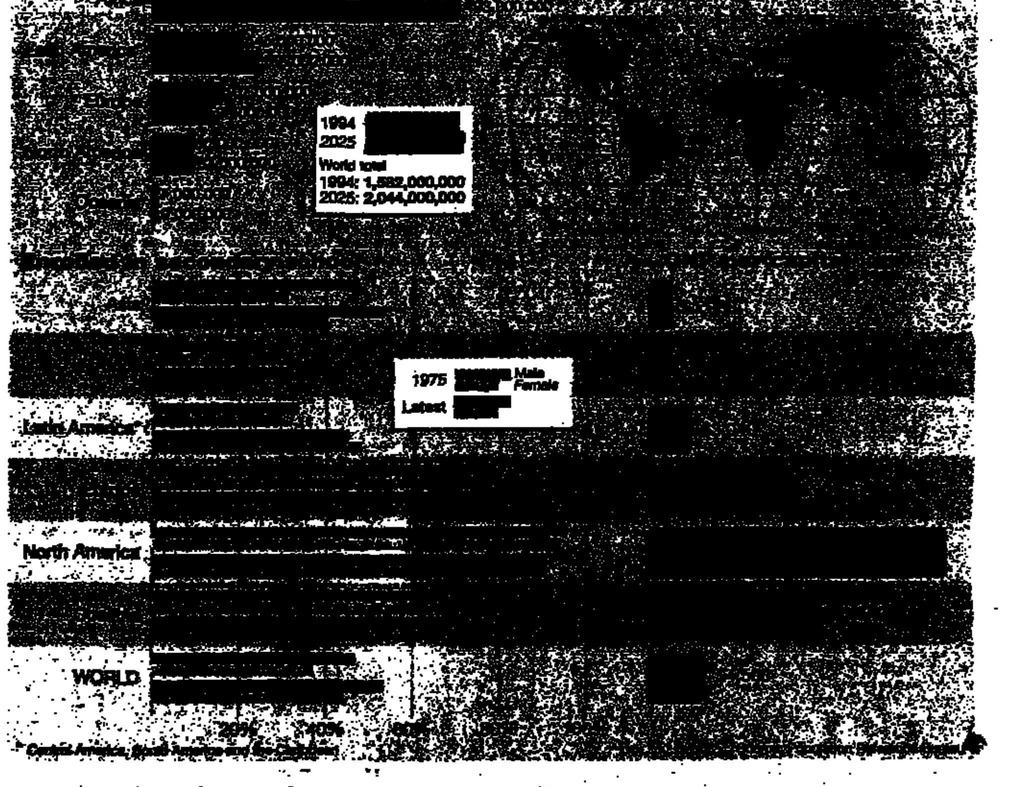
The prospects for the young are not, however, completely bleak. Helping them through the economic transition is difficult, but not impossible. Set up in 1991 to act as a safety net for those most vulnerable to the country's economic reforms, the SFD is one of the more successful organisations tackling youth-related problems. With a budget of $665m and backed by the World Bank and 16 other donors, it offers, among other things, credit lines to help recent graduates set up their own businesses.

"Our aim is to make a real impact on the unemployment problem by targeting our youth. We want to change their mentality of waiting for a government job and encourage the development of the private sector and entrepreneurship," explains Mr Hussein el-Gamal, managing director. To date, the SFD says it has created 105,544 new permanent jobs throughout the country.

The success of the fund is evident in Upper Egypt, which has been hardest hit by the rise of fanatical Islam and militancy. In the southern governerate of Assuit, which two years ago was considered a hot-bed for Moslem militants, the SFD has helped set up more than 2,300 small enterprises, many of them run by people in their twenties. The regional office in the town of Assuit, 375km south of Cairo, has over 100 enquiries every week from jobless graduates looking for work.

Among those who went on to set up a business are the young Dobbes brothers. Together they borrowed $30,000 on a five-year loan from the fund to buy machinery for the first and only rubber parts factory in Upper Egypt. Their small factory is situated in the run-down and dusty village of El-Aziya where 24 young staff work two 12-hour shifts. Last year's sales were about $118,000 and the brothers hope to start exporting soon to the Gulf.

"The only way to combat terrorism is to help the youth feel better about themselves and their future. Young people here have for so long had nothing to do. Now they see what my brothers and I, are doing and want to do the same," says Ibrahim, the eldest of the three.



■ **Indonesia:** by Manuela Saragosa in Jakarta

Clash looms over government policy

The authorities' attitude to street children may prove at odds with current initiatives

At the busy Pulo Gading bus terminal in west Jakarta, children weave barefoot in and out of buses and crowds, offering shoe-shine services, cleaning buses, selling newspapers, collecting garbage and sometimes begging. It is one of the many places in Jakarta that is both workplace and home to a group of children.

Official figures do not exist, but Indonesian non-government organisations estimate that the number of street children has risen to anywhere between 5,000 and 15,000 in Jakarta alone in recent years, depending on how a street child is defined. As the number has swelled, it is privately funded NGOs that have taken the first steps to tackle the problem.

Indonesian authorities, which admit they lack strategies for dealing with street children, only embarked on a technical assistance project with the United Nations Development Programme (UNDP) last year.

Until a few years ago, the government was reluctant to acknowledge the existence of street children altogether. This year, however, the authorities are expected to come up with a definition of a "street child" – a starting point for formulating policy. Currently, it is not clear how many of Indonesia's street children live and work full-time on the streets, are orphans or live with relatives and work on the street to earn income for their family.

"It's very difficult to provide an appropriate programme because the data is lacking," says a UNDP official.

The charitable organisations, or "yayasans" in Indonesian, which help street children, depend to a large extent on private sector funding. However, foreign aid agencies such as USaid, the US Agency for International Development, are among the most prominent donors. This creates doubts about their durability. "Their sustainability is questionable because they depend so much on donor funding," says a UNDP official.

The prospect of government involvement, however, is not being greeted with open arms by all NGOs. The authorities' attitude towards street children has been anything but exemplary. During official visits by foreign state officials Indonesian police "cleanse" the main thoroughfares of street children, forcing them into houses managed by the Department of Social Affairs, which, according to an official at one NGO, are "like jails".

NGOs themselves are divided in their approach to helping street children. Some, like the Yayasan Kesejahteraan Anak Indonesia, which operates one of the few 24-hour "open houses" for street children in Jakarta, work to reunite the children with family and schools.

Others, such as the Yayasan Mitra Masyarakat Kota, one of about eight Indonesian yayasans that fall under the USaid project Rescue, Reaching Children in Urban Environments, make no attempt at family reunion. Instead, they operate "learning centres", where street children are taught how to improve their survival skills on the street. A new Rescue project also plans to help them develop skills that will increase their opportunities in the job market: General Electric is among the donors.

It is possible that the learning centres may come under fire from the government, which insists all forms of education conform to state ideology. Meanwhile, YKAI is having its share of difficulties. Some families simply refuse to acknowledge the child. In other cases, street children cannot return to school because their families are too poor to lose an income-earner or because they do not have official identity cards, which are required for school entrance. "We are sometimes very frustrated," says a programme manager at YKAI. "It would be ideal if the project could reach the children, family and other segments of society such as the school."

In the meantime, street children are unwittingly waiting for the government to decide on their fate. Jojo, an 11-year old boy at YKAI's open house, has no intention of going back to his family if he can help it. Accused of killing a goat, he ran away from his village in Lampung, Sumatra, after his father threatened to kill him. "I'm too scared to go back," he says.

The question is whether the government, once it has formulated a policy, will support the efforts of those NGOs that advocate accepting street children as part of street life in urban Indonesia.

■ **Germany:** by Michael Lindemann in Bonn

Out of the classroom, into the business world

School clubs are helping to give children the confidence to develop new skills

In the southeastern German city of Dresden schoolchildren have banded together to run a travel agency. In the nearby town of Hoyerswerda – scene of a fatal attack against foreigners in October 1991 – about 30 young people are being taught the essential skills of the construction trade. In Berlin, other schoolchildren have created a new "school club" and planted 70,000 oak trees where the Berlin wall stood only a few years ago.

The numerous schemes are part of a network of 216 school clubs set up since 1994 by the German Children and Youth Foundation (DKJS).

The word "club" is not accidental. On the one hand, the initiatives are designed to make schools themselves more attractive – and a site for activities other than those that take place strictly in classrooms. On the other hand, they are intended to give children the chance to feel they can set up an organisation for themselves and make decisions about it. Engendering self-respect may be a key to solving some teenage problems: the Berlin club, for example, works with juvenile delinquents in the hope they can encourage them back into mainstream education.

As Ms Heike Kahl, a former world speed skating champion, who is now the driving force behind the DKJS, points out, school is the ideal place at which to base these initiatives: children spend far more time there than anywhere else.

Schools themselves have changed little over the last century, Ms Kahl says. There is now a chance to use them for a variety of activities that regularly take children outside the classroom and, in the process, break down the rigid distinctions between traditional schoolwork and other youth programmes.

The DKJS was set up in May 1994 under the patronage of Ms Rita Süssmuth, the president of the Bundestag, the lower house of the German parliament, and has started setting up school clubs and other programmes in eastern Germany.

Before the collapse of the Berlin wall, children in the German Democratic Republic used to spend time after school at traditional youth clubs. Now, according to studies conducted by the Berlin senate,

> 'The rapid changes within society and the number of tasks that result from those changes cannot be borne by the state alone'

just 6 per cent of them frequent the old establishments, some of which have now been taken over by young right-wing extremists.

The DKJS is the first attempt in Germany to bring together government bodies, a number of the country's leading foundations and private capital to work together on issues concerning young people. Among companies involved in the scheme are Daimler-Benz, Germany's big engineering/industrial group, and Langenscheidt, the dictionary publisher.

The initiative has assumed particular importance in eastern Germany, where the organisations that once attempted such work have all but disappeared.

However, it is also trying to bring private capital and non-government organisations into an area of work where government structures appear to be overwhelmed.

"It's clear that the rapid changes within society, and the ever increasing number of tasks that result from those changes, cannot be borne by the state alone," Ms Kahl says. "Its structures are often too awkward and rigid."

The DKJS has started initiatives based on programmes such as Education for Enterprise, launched by the Princes Trust in Britain, and others that have come to its attention through its work with the US-based International Youth Foundation.

However, Ms Kahl insists that the DKJS aims not just to think up new ideas but to use existing structures to develop youth activities.

"That means also that we don't just go looking for new programmes in the US, for instance. It's very important to ensure that the work is somehow connected to the region where the children live."

An example is the port town of Rostock where plans are being hatched for a small shipyard where children can begin designing their own boats.

Most of the foundation's activities have so far been focused on the school clubs.

The travel agency that was started at a Dresden school – called Power Tours – is busy organising school excursions and all sorts of other trips. The children have been able to buy shares in the company at DM5 each and Power Tours has also started selling its services to clients outside the school.

"They can hardly keep up with the pace of the new orders," says Ms Kahl. "Through such examples we want to try to nurture an entrepreneurial spirit for which, as you can imagine, there was never much room in the German Democratic Republic."

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This is a challenging and demanding role calling for an Analyst with one to three years' experience in banking, corporate finance or structuring. Preferably holding an MBA or equivalent qualification you will be involved in detailed asset evaluation, corporate analysis and creation of investment strategies. Your intellect must be complemented by the interpersonal skills to communicate and implement your investment strategies together with strong spreadsheet skills. REF: 341

Language skills would be preferable in both roles. Remuneration packages will be commensurate with experience.

Please send your CV, quoting the appropriate reference number, to: Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

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If you are interested in this opportunity, please contact Mr Maurits A.N.M. Claassen on (3120) 6444 655 or alternatively send your curriculum vitae to the following address: Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands (Fax 3120 6429 005).

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- Co-ordination of group budgets and forecasts.

Candidates

- Qualified Accountant
- Experience gained within an international business environment
- Systems development and implementation skills

Ref: 269244

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- Management of group bank relationships.
- Development of treasury reporting and forecasting systems.

Candidates

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- Experience of treasury issues would be desirable though not essential.

Ref: 272970

Both roles will require individuals with energy, enthusiasm and a strong commitment to achieving results within a small team. In addition, you will need to demonstrate well developed interpersonal skills along with a creative and innovative approach to problem solving. Both positions will involve extensive liaison with the US parents and with UCI's operating *subsidiaries worldwide.*

Interested applicants should forward a comprehensive curriculum vitae quoting the appropriate reference number above, to Stephen Banks, ACMA, at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Fax: 0161 236 6961.

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In the first instance, please send your CV with current salary details to: Julia Williams, **K/F Associates**, 252 Regent Street, London W1R 6HL, quoting **ref: 6475/H**, or alternatively by e-mail to cv@kfaeurope.com

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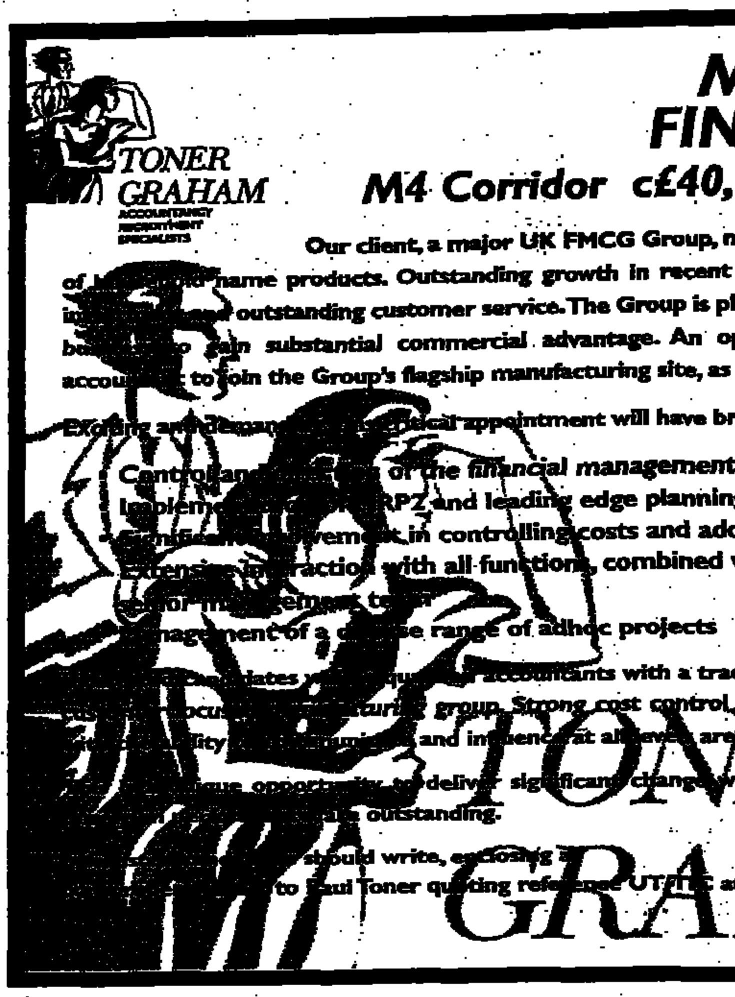

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Interested candidates should contact **Jane Storie**, in strictest confidence at **FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY. Tel: (44) 171 209 1000 or Fax: (44) 171 813 9479. Ref: FT 0031.**

Closing date for applications: 12 February 1996.

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Please send a full CV quoting reference FT010296 to **Jonathan Gill** or **Bruce Page**, Douglas Llambias Associates, 410 Strand, London WC2R 0NS. Tel: 0171 836 9501 or Fax: 0171 379 4820.

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar stays firm after Bundesbank cuts repo rate

By Philip Gawith

The dollar's recent rally received a further fillip yesterday when the Bundesbank council decided to fix the repo rate ten basis points lower, at 3.30 per cent, for the next two tenders.

There was some disappointment that the Bundesbank did not also cut the discount rate, but the continued fall in the repo rate was seen by analysts as confirming the downward trend in official rates.

The dollar closed in London at DM1.4933 and Y107.115, from Y1.4879 and Y106.915 on Wednesday before the US Federal Reserve announced a 25 basis point cut in the Fed funds rate to 5.25 per cent.

The dollar is now close to a one year high against the D-Mark, and a two year high against the yen.

The Bundesbank's lead was followed by the other "hard currency" countries in the European exchange rate mechanism. The Bank of France cut the intervention rate to 4.05 per cent from 4.2 per cent, the Austrian National Bank set its repo tender at 3.3 per cent, from 3.55 per cent, Belgium cut its central rate to 3.2 per cent, from 3.4 per cent, while the Dutch central bank cut the special advances rate to 3 per cent from 3.2 per cent.

The lira continued its good showing, helped by a renewed bout of speculation that it might rejoin the European exchange rate mechanism, which would probably require a further revaluation to satisfy countries like Germany and France that it was not joining at an excessively advantageous rate. It closed at L1,058 against the D-Mark, from L1,071.

The pound finished firmer against the D-Mark, helped by the stronger dollar and a good set of trade figures. It closed at DM2.2595, from DM2.2482. It was little changed against the dollar at $1.5131, from $1.5111.

■ The Bundesbank's decision to fix the repo was taken by some analysts as an indication of unhappiness at the pace of recent falls. Mr Julian Jessop, international economist at HSBC Markets in London, said the bank "wants to calm things down".

He disputed the view that the pace of recent falls was a policy signal from the bank, saying that the market had run ahead of itself in its expectation of monetary easing. But he concurred with the majority view that the next move in rates is down.

This is seen as a positive backdrop for the dollar. Mr Paul Chertkow, head of global currency strategy at UBS in London, said they were revising their twelve month forecasts for the dollar up to Y116 and DM1.60, from Y112 and DM1.55.

He said he believed that the Bank of Japan and Ministry of Finance had Y120 as a target, with US and German authorities prepared to countenance this. With the D-Mark/yen cross at current levels, this implied a dollar/D-Mark rate of around DM1.65.

Mr Chertkow did add that current moves in the exchange markets were "not so much dollar resurgence as yen and D-Mark corrections. They are going back to levels we perhaps should not even have gone through in the first place. The market has come back to more fundamental values."

He said he took heart from the fact that the dollar's rally came despite the unhelpful backdrop of the unresolved budget conflict. He said when this was out of the way, it was possible that the market would make the leap towards "outright positive sentiment in favour of the dollar".

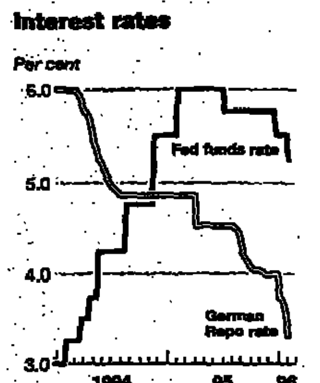
Mr Chertkow said that while a budget deal could serve as a catalyst, positive economic fundamentals, especially inflation, would be the fuel for a more enduring rally, both for the dollar and bonds.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the current strength of the dollar was mostly a function of concerns about slower economic growth in Europe. "It is R for recession in Europe competing with D for default in the US," said Mr Hawkins.

He surmised that the difference might be that the US had more control over whether a default situation was reached, hence the markets were giving the US the benefit of the doubt.

The dollar's inability to break decisively above DM1.50 is being attributed to the climate of uncertainty surrounding the timetable for the single currency project. Traders reason that any setback favours the D-Mark, because it delays the day when it will be joined with other, possibly weaker, European currencies.

Interest rates



Source: FT Extel

■ **Pound in New York**

Feb 1	Latest	Prev. close
£ spot	1.5135	1.5125
1 mth	1.5124	1.5114
3 mth	1.5102	1.5092
1 yr	1.4986	1.4980

■ **OTHER CURRENCIES**

Feb 1	£	$
Czech Rp	41.2910 - 41.3334	27.2950 - 27.3080
Hungary	214.774 - 214.992	141.990 - 142.040
Iran	4540.80 - 4537.80	3000.00 - 3000.00
Kuwait	0.4532 - 0.4539	0.2996 - 0.2998
Poland	3.8549 - 3.8604	2.5485 - 2.5505
Russia	7169.92 - 7166.70	4737.00 - 4738.00
U.A.E.	5.5553 - 5.5596	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8883	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	106.0
Belgium	(BFr)	46.4371	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	108.1
Denmark	(DKr)	8.7374	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	108.1
Finland	(FM)	6.9052	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	85.4
France	(FFr)	7.7510	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	109.2
Germany	(DM)	2.2595	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	110.2
Greece	(Dr)	371.920	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	65.8
Ireland	(I£)	0.9684	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	98.0
Italy	(L)	2389.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	74.0
Luxembourg	(LFr)	46.4371	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	108.1
Netherlands	(Fl)	2.5293	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	106.2
Norway	(NKr)	9.8602	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	98.7
Portugal	(Es)	234.152	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	95.4
Spain	(Pta)	190.158	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	81.9
Sweden	(SKr)	10.5363	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	85.5
Switzerland	(SFr)	1.8424	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	113.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.6
Ecu	-	1.2273	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
SDR†	-	1.037900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5129	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Brazil	(R$)	1.4801	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Canada	(C$)	2.0802	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	83.8
Mexico	(New Peso)	11.2121	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
USA	($)	1.5131	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	96.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0239	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	88.1
Hong Kong	(HK$)	11.6986	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
India	(Rs)	55.3568	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Israel	(Shk)	4.7458	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	162.076	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	138.4
Malaysia	(M$)	3.8690	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2405	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	107.0
Philippines	(Peso)	39.6054	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6746	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Singapore	(S$)	2.1482	+0.0036	467 - 496	2.1517	2.1457	-	-	-	-	-	-	-
South Africa	(R)	5.5247	+0.0098	217 - 277	5.5334	5.5217	-	-	-	-	-	-	-
South Korea	(Won)	1187.41	+0.9	694 - 787	1190.21	1186.55	-	-	-	-	-	-	-
Taiwan	(T$)	41.5853	+0.0789	693 - 013	41.6545	41.5693	-	-	-	-	-	-	-
Thailand	(Bt)	38.3495	+0.0607	217 - 773	38.4170	38.3217	-	-	-	-	-	-	-

† Rates for Jan 31 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.5005	+0.0385	982 - 028	10.5110	10.4350	10.485	1.8	10.453	1.8	10.3305	1.6	108.0
Belgium	(BFr)	30.6900	+0.1	700 - 100	30.7200	30.4950	30.638	2.0	30.5375	2.0	30.175	1.7	107.9
Denmark	(DKr)	5.7745	+0.0165	730 - 760	5.7808	5.7416	5.7695	1.0	5.76	1.0	5.782	-0.1	108.3
Finland	(FM)	4.5636	+0.01	598 - 673	4.5720	4.5350	4.5586	1.3	4.5499	1.2	4.5211	0.9	84.7
France	(FFr)	5.1226	+0.0148	220 - 232	5.1275	5.0930	5.1181	1.1	5.1106	0.9	5.0881	0.7	108.6
Germany	(DM)	1.4933	+0.0054	930 - 936	1.4955	1.4830	1.491	1.8	1.486	2.0	1.4673	1.7	109.7
Greece	(Dr)	245.800	+0.145	670 - 930	246.980	244.410	247.475	-8.2	250.725	-8.0	265.55	-8.0	65.3
Ireland	(I£)	1.5658	+0.0007	648 - 667	1.5720	1.5614	1.5663	-0.3	1.5667	-0.2	1.5628	0.2	-
Italy	(L)	1579.42	-14.58	884 - 000	1586.20	1576.77	1586.27	-5.2	1598.32	-4.8	1656.42	-4.9	73.0
Luxembourg	(LFr)	30.6900	+0.1	700 - 100	30.7200	30.4950	30.638	2.0	30.55	1.8	30.245	1.4	107.9
Netherlands	(Fl)	1.6716	+0.0057	712 - 720	1.6792	1.6611	1.6685	2.2	1.6621	2.3	1.639	1.9	107.7
Norway	(NKr)	6.5166	+0.0035	128 - 203	6.5269	6.4560	6.5144	0.4	6.5061	0.6	6.4891	0.4	97.7
Portugal	(Es)	154.750	+0.38	690 - 810	154.880	153.870	155.125	-2.9	155.895	-3.0	159.5	-3.1	95.4
Spain	(Pta)	125.690	+0.33	630 - 750	125.760	125.080	126.085	-3.8	126.82	-3.6	130.31	-3.7	81.6
Sweden	(SKr)	6.9634	+0.0158	595 - 673	6.9719	6.9074	6.9805	-2.9	7.0099	-2.7	7.1474	-2.6	85.0
Switzerland	(SFr)	1.2176	+0.0075	172 - 180	1.2200	1.2068	1.2142	3.4	1.207	3.5	1.1795	3.1	113.3
UK	(£)	1.5131	+0.0021	126 - 136	1.5158	1.5125	1.512	0.9	1.5098	0.9	1.499	0.9	82.8
Ecu	-	1.2330	-0.0011	326 - 333	1.2383	1.2311	1.2333	-0.3	1.2337	-0.2	1.2343	-0.1	-
SDR†	-	0.68880	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9899	-	998 - 999	0.9896	0.9895	-	-	-	-	-	-	-
Brazil	(R$)	0.9782	+0.0001	780 - 783	0.9783	0.9780	-	-	-	-	-	-	-
Canada	(C$)	1.3748	-0.0012	745 - 750	1.3775	1.3735	1.375	-0.1	1.3751	-0.1	1.3801	-0.4	82.9
Mexico	(New Peso)	7.4100	-0.02	000 - 200	7.4200	7.3850	7.4123	-0.4	7.4154	-0.3	7.4203	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3374	-0.0052	371 - 380	1.3380	1.3420	1.3394	-1.8	1.3429	-1.6	1.3616	-1.8	88.8
Hong Kong	(HK$)	7.7315	-0.0005	310 - 320	7.7322	7.7310	7.7322	-0.1	7.734	-0.1	7.761	-0.4	-
India	(Rs)	36.5850	+0.15	600 - 100	36.6300	36.3800	36.735	-4.9	37.04	-5.0	38.51	-5.3	-
Israel	(Shk)	3.1365	-0.0006	340 - 389	3.1599	3.1333	-	-	-	-	-	-	-
Japan	(Y)	107.115	+0.2	070 - 160	107.330	106.550	106.67	5.0	105.84	4.8	102.53	4.3	137.1
Malaysia	(M$)	2.5570	-0.0032	565 - 575	2.5605	2.5553	2.5579	-0.4	2.564	-1.1	2.5875	-1.2	-
New Zealand	(NZ$)	1.4806	-0.0059	802 - 813	1.4813	1.4802	1.4837	-2.5	1.4895	-2.4	1.5141	-2.3	-
Philippines	(Peso)	26.1750	-0.007	700 - 800	26.1800	26.1700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7506	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4197	+0.0004	192 - 202	1.4206	1.4185	1.4162	3.0	1.4102	2.7	1.3847	2.5	-
South Africa	(R)	3.6513	+0.0015	505 - 520	3.6525	3.6490	3.6801	-9.4	3.7315	-8.8	3.9548	-8.3	-
South Korea	(Won)	784.750	-0.5	700 - 800	784.800	783.200	787.75	-4.6	791.25	-3.3	809.75	-3.2	-
Taiwan	(T$)	27.4835	+0.014	820 - 850	27.4850	27.4680	27.5035	-0.9	27.5435	-0.9	-	-	-
Thailand	(Bt)	25.3450	+0.005	350 - 550	25.3830	25.3300	25.4437	-4.7	25.6475	-4.8	26.53	-4.7	-

† SDR rate per $ for Jan 31. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 25: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.05	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.20	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.55
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.88
week ago	10	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.98
Netherlands	[illegible]	[illegible]	3	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.23	5.19	5.12	4.99	-	-	-
week ago	-	5.23	5.22	5.14	5.01	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.58	95.58	+0.07	95.61	95.52	33,410	54,599
Jun	95.76	95.78	+0.07	95.81	95.73	13,020	53,786
Sep	95.78	95.78	+0.07	95.81	95.73	8,018	41,195

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9050	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9075	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.84	16.69	4.865	2.081	5145	5.447	21.24	504.2	409.4	22.70	3.967	2.154	4.480	3.259	349.1	2.643
Denmark	(DKr)	53.08	10	8.861	2.583	1.104	2731	2.891	11.27	267.6	217.3	12.05	2.106	1.143	2.378	1.730	185.3	1.403
France	(FFr)	59.90	11.28	10	2.914	1.246	3082	3.263	12.72	302.0	245.3	13.60	2.376	1.290	2.684	1.952	209.1	1.583
Germany	(DM)	20.55	3.872	3.431	1	0.428	1058	1.120	4.365	103.6	84.15	4.666	0.815	0.443	0.921	0.670	71.76	0.543
Ireland	(I£)	48.06	9.055	8.024	2.339	1	2473	2.618	10.21	242.3	196.8	10.91	1.907	1.035	2.153	1.566	167.8	1.270
Italy	(L)	1.943	0.366	0.324	0.095	0.040	100.	0.106	0.413	9.799	7.957	0.441	0.077	0.042	0.087	0.063	6.785	0.051
Netherlands	(Fl)	18.36	3.459	3.065	0.893	0.382	944.6	1	3.899	92.57	75.17	4.168	0.728	0.395	0.822	0.598	64.10	0.485
Norway	(NKr)	47.09	8.871	7.861	2.291	0.980	2423	2.565	10	237.4	192.8	10.69	1.868	1.014	2.110	1.534	164.4	1.244
Portugal	(Es)	19.83	3.736	3.311	0.965	0.413	1021	1.080	4.212	100.	81.20	4.502	0.787	0.427	0.889	0.646	69.24	0.524
Spain	(Pta)	24.42	4.601	4.077	1.188	0.508	1257	1.330	5.187	123.1	100.	5.544	0.969	0.526	1.094	0.796	85.27	0.645
Sweden	(SKr)	44.05	8.299	7.354	2.143	0.917	2267	2.399	9.355	222.1	180.4	10	1.748	0.949	1.973	1.435	153.8	1.164
Switzerland	(SFr)	25.21	4.749	4.208	1.226	0.524	1297	1.373	5.353	127.1	103.2	5.722	1	0.543	1.129	0.821	88.00	0.666
UK	(£)	46.43	8.747	7.751	2.259	0.966	2389	2.529	9.860	234.1	190.1	10.54	1.842	1	2.080	1.513	162.1	1.227
Canada	(C$)	22.32	4.205	3.726	1.086	0.464	1149	1.216	4.740	112.5	91.39	5.067	0.886	0.481	1	0.727	77.93	0.590
US	($)	30.69	5.781	5.123	1.493	0.638	1579	1.672	6.517	154.7	125.6	6.966	1.217	0.661	1.375	1	107.1	0.811
Japan	(Y)	28.64	5.396	4.782	1.394	0.596	1474	1.560	6.083	144.4	117.3	6.502	1.136	0.617	1.283	0.933	100.	0.757
Ecu		37.84	7.129	6.317	1.841	0.787	1947	2.061	8.036	190.8	154.9	8.590	1.501	0.815	1.695	1.233	132.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6730	0.6733	+0.0003	0.6760	0.6720	20,642	84,893
Jun	0.6768	0.6772	+0.0009	0.6788	0.6770	139	3,618
Sep	-	0.6793	-	-	-	11	1,377

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9392	0.9404	+0.0002	0.9440	0.9380	13,854	78,701
Jun	0.9507	0.9515	+0.0004	0.9541	0.9507	1,453	5,321
Sep	-	0.9610	-	-	0.9612	53	745

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Feb 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate [illegible] per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	[illegible]	[illegible]	5	5	[illegible]

Certs of Tax dep. under £100,000 is [illegible]pc. Deposits withdrawn for cash 1½pc. [illegible]

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9375	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9425	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

[illegible]

■ Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Feb 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	2.15214	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	39.3960	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	13.4383	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	1.91007	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	195.792	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	7.28580	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	6.40608	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	0.792214	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON ERM MEMBERS						
Greece	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

Ecu central rates set by the European Commission. Currencies are in descending relative strength. [illegible]

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.510	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.520	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.530	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.540	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls [illegible] Puts [illegible]. Prev. day's open int., Calls [illegible] Puts [illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Mar	Calls Apr	Calls Jun	Calls Sep	Puts Mar	Puts Apr	Puts Jun	Puts Sep
9675	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9725	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9825	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialling the following number from the keypad or handset of your fax machine. 0891 437 001. Calls are charged at 39p/min cheap rate and 49p/min at all other times. For service outside the UK please telephone +44 171 873 4378 for details on Cityline International.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	-3	[illegible]	476½	[illegible]	6.7	16.8
Bulmer (HP)	[illegible]	[illegible]	—	543	[illegible]	[illegible]	2.9	16.9
Burn St Dist	[illegible]	123	—	146	89	72.9	6.1	26.5
Grand Met	[illegible]	437xd	-7	467	361	9,127	4.3	15.4
Guinness	[illegible]	459	+3	[illegible]	404	[illegible]	3.8	14.2
Highland	[illegible]	325	—	[illegible]	315	[illegible]	3.0	14.9
Kirin Y	[illegible]	[illegible]	-3	[illegible]	621	[illegible]	0.8	31.0
Macallan-Glen	[illegible]	[illegible]	—	217	157	[illegible]	1.0	26.8
Macdon Martin A	[illegible]	[illegible]	—	700	600	86.3	2.2	17.8
Matthew Clark	[illegible]	[illegible]	—	[illegible]	539	576.6	4.2	-
Merrydown	[illegible]	102	+2	149	65	11.1	2.5	-
Seagram $		[illegible]	[illegible]	225½	216⅞	[illegible]	1.2	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf.		50½	—	[illegible]	50¼	6.31	19.8	-
Cater Allen	[illegible]	479	—	[illegible]	415	[illegible]	7.8	7.9
Close Bros	[illegible]	[illegible]	-1	[illegible]	217½	[illegible]	2.9	16.4
Gerrard & Nat	[illegible]	459	-8	492	[illegible]	[illegible]	6.1	14.8
Hambros	[illegible]	205	—	[illegible]	[illegible]	[illegible]	4.8	-
7½pc Cv Pf		103½	+½	[illegible]	[illegible]	[illegible]	9.1	-
Joseph (L)	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	5.2	15.6
King & Shaxson	[illegible]	153	+7	[illegible]	[illegible]	[illegible]	7.4	11.9
Rea Brothers	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	2.1	23.6
Schroders	[illegible]	[illegible]	-4	[illegible]	[illegible]	[illegible]	1.4	18.3
N/V	[illegible]	[illegible]	+3	[illegible]	[illegible]	[illegible]	1.7	14.5
Singer & Fried	[illegible]	[illegible]	+1	111	[illegible]	[illegible]	4.4	10.9

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32¾	—	£34½	£29	2,253	2.8	16.3
Barlow	♣	£10½	−⅛	£10½	£5½	2,078	1.5	ϕ
Gold Flds Prop R		165	+5	165	138	16.9	6.8	7.2
NK Props		85	—	86	85	3.82	12.8	−
SASOL	♥	589	+11	648	475	3,507	2.4	−
SA Brews		£24½	+⅛	£26⅞	£14⅞	7,271	1.5	32.5
Standard Bank	□	£32¼	+⅛	£32¼	£20½	3,838	1.5	21.8
Tiger Oats		1258	−10	1270	725	1,880	1.6	ϕ
Tongaat-Hulett	†	1193	—	1247	636	1,120	1.7	22.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
k Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1995
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

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Credit Investment Funds - Contd.

[illegible]

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

NAV ... $22 17 | +0 08 |

Pacific Basin Growth Fund

Pan-Holding SA

Pictet Group

[illegible]

CMI Insurance Co Ltd

[illegible]

Royal Life International

[illegible]

Capital International

Capital Int. Fund ... $157.52

Cathay Investment Fund Limited

NAV Dec 31 ... HK$10.13

Chameleon Funds Limited

Chescor Indian Investment Company Ltd

The China Fund

The China Invest & Development Fd Ltd

[illegible]

Global Asset Management - Contd.

[illegible]

Magellan Emerging Mkts Mngt (Jersey) Ltd

Magnum Funds

Magus Asset Management Ltd

Malaysia Capital Fund Ltd

Malaysia Fund (Labuan)

Malaysia Growth Fund

[illegible]

Republic Funds

[illegible]

Rosenwald, Rodell & Co Ltd

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

Frontier Fund Management Co

NAV (Fully Paid) Dec 31 ... $10.10 | — | —

The Vietnam Fund Limited

Lloyds Bank Fund Managers (Guernsey) Ltd

NAV Fully Paid Dec 31 ... $71.10 | — | —

Wells Fargo U.S. IT Fund

[illegible]

Worldwide Limited

NAV Dec 31 ... $79.10 | — | —

Xiphias International Investment Fd Ltd

[illegible]

Zaneat Lombardier Ltd

NAV Dec 1 ... $124.73 | — | —

Zweig-DiMenna International Limited

NAV Dec 21 ... $13656 | — | —

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♣) - 1101 to 1400 hours
(♦) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
A - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities)
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies
Φ - Yield column shows annualised rates of NAV increase.

LONDON STOCK EXCHANGE

MARKET REPORT

Rate cut anti-climax sees share prices drift

By Steve Thompson, UK Stock Market Editor

There was an element of anti-climax around London's trading rooms at the performance of the UK's equity market following developments in international interest rates.

The disappointment stemmed mostly from the refusal of Germany's Bundesbank to reduce its key Lombard and discount rates, although the market's displeasure was diluted as the bank cut a further 10 basis points off its repo rate and fixed it at 3.3 per cent for the next two weeks.

By the end of a session described by some traders as "lifeless", but which nevertheless saw some keen activity across many market sectors, the FT-SE 100 was left with a 6.5 decline at 3,752.8.

Once again, the second-line stocks delivered a better performance than their seniors, with the FT-SE Mid 250 index always outperforming the FT-SE 100. The Mid 250 eventually closed 3.9 firmer at 4,128.9, creeping ever nearer to its previous record of 4,152.8.

London's rather disappointing performance came in the wake of a similar response by Wall Street overnight to the reduction of 25 basis points in the Federal Funds rate and in the US discount rate.

Although global markets had mostly been expecting the cut in US rates, traders and other market observers said Wall Street's reaction had been surprising.

The Dow Jones Industrial Average ploughed through the 5,400 level on the news, but failed to hold on, closing at 5,395 on Wednesday.

That performance encouraged London's market-makers to adopt a cautious line at the start of trading, with most of the leaders kicking off slightly lower and giving further ground after a disappointing opening by bond markets.

News of better than expected trade figures for November – the deficit was the lowest monthly figure since March last year – failed to produce any real reaction in gilts or equities. It took the news of the German repo cut to spark a rally.

From being down 14.8 shortly after the opening, the FT-SE 100 clawed its way back to post a 4.6 decline, before embarking on a gradual retreat at the close.

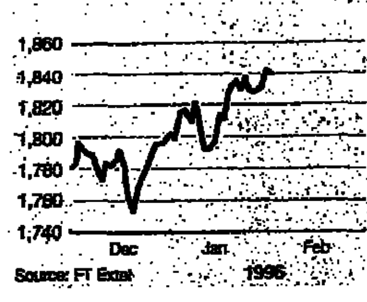
"There was a feeling of disappointment around the market with the day's events, but it has to be said that we need some sort of consolidation after recent gains," said one top marketmaker. He warned that London could fall further if there were no pick-up in US Treasury bonds, which he said remained the key to market performance.

"It does not really matter if Wall Street is up 20 points or down 20 points, it is bonds that will lead the way," he added. The latest data from the US provided further evidence of a slowing economy.

More profits warnings, albeit from small companies, and a handful of broker downgrades also undermined confidence in share prices, while the market's most recent fashionable sector, the biotech stocks, took a fearful hammering after bad news from Celltech, one of the high-flyers.

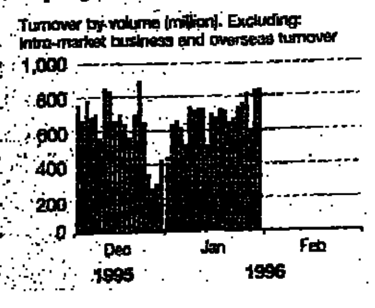
Turnover at 6pm was a highly respectable 859.5m shares. Retail business on Wednesday was worth a total of £2.43m.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3752.8	-6.5	FT Ordinary index	2762.8	-5.6
FT-SE Mid 250	4128.9	+3.9	FT-SE-A Non Fins p/e	17.10	(17.12)
FT-SE-A 350	1865.8	-2.2	FT-SE100 Fut Mar	3770.0	+9.0
FT-SE-A All-Share	1840.21	-1.75	10 yr Gilt yield	7.46	(7.48)
FT-SE-A All-Share yield	3.71	(3.71)	Long gilt/equity yld ratio:	2.12	(2.13)

Best performing sectors
1 Telecommunications .... +1.2
2 Other Financial .... +0.9
3 Electricity .... +0.8
4 Utilities .... +0.9
5 Engineering, Vehicles .... +0.8

Worst performing sectors
1 Diversified Inds .... -1.4
2 Retailers, Food .... -1.2
3 Pharmaceuticals .... -0.8
4 Tobacco .... -0.7
5 Gas Distribution .... -0.6

Broker cut hits Tesco

A profits downgrade and change of recommendation for Tesco sparked a retreat in leading food retailers.

Just two weeks after the group issued a trading update, NatWest Securities took a further look at the prospects for the company and decided to downgrade its recommendation from "buy" to "hold".

It also reduced profits expectations for the year to February 1996 by £9m to £678m and weighed in with a more savage cut for the following year, reducing its previous figure by £37m to £726m. The group's shares fell 6½ to 293p.

Mr Tony MacNeary at the securities house said: "It now looks like the contribution to total sales of new store openings will be significantly lower than we first thought. Gross margins appear a little worse than at the time of the trading statement two weeks ago."

NatWest Securities also cited the current petrol price war as an additional reason for the big reduction in profits expectations in the year to February 1997.

Food retailers have around 20 per cent of the petrol market and Tesco's share is put at approximately 8 per cent.

The broker lowered its estimate for Argyll for the year to March 1997 by £7m to £447m and for Asda Group for the year to April 1997 by £8m to £353m. Another £11m was taken off the J. Sainsbury estimate for the year to March 1997 to leave it at £801m.

Argyll closed 5¼ lower at 328p, while Sainsbury eased 3¾ to 391p. There was a two-way pull in Asda which brought volume of 13m as the shares slipped ¼ to 105¼p.

Hanson dips

Hanson, the international conglomerate, traded lower on both sides of the Atlantic as valuations for the demerged company percolated through to investment institutions.

Dealers said the range was between a shock figure of 138p a share from NatWest Securities and a more cushioned estimate of 224p a share from James Capel. However, the latter estimate was believed to have been flattered by historic estimates for Quantum, the chemicals division, which performed well on rocketing commodity prices.

The range was concentrated around an estimate of 180p a share, with Hoare Govett, the company's broker, on a more conservative 175p a share. Nevertheless, analysts stressed that these sum-of-the-parts calculations were mere starting points based on trading multiples.

The upside will depend on many things, ranging from the dramatic – such as the sale of one or more divisions – to the more quotidian – such as lowered dividends enabling greater growth.

Nevertheless, longer term considerations failed to impinge on sentiment yesterday and Hanson shares fell a further 9 to 193½p on turnover of 52m shares. And some investors could be expecting them to tumble further – in the options market one trader anticipated the shares *falling* below 176p.

Biotech worries

The market has watched open mouthed as biotechnology stocks have broken all boundaries. But after a couple of pieces of negative press comment, it looked like the fundamental derating of the sector had begun yesterday.

Celltech, the biotechnology company, plunged 163 to 518p with 5m shares changing hands as the market reacted sharply to the withdrawal of one of the company's drugs.

Celltech announced that it was pulling the plug on a new asthma treatment because trials showed it did not represent a significant therapeutic advance.

The news shook the confidence of small investors looking for speculative gains in a sector which promises far more than it has delivered.

For example, British Biotech had advanced more than 30 per cent this month on prospects for its anti-cancer treatment even though solid evidence about the treatment's benefits are thin on the ground.

Yesterday, Biotech shares retraced more than 100p but bounced to finish only 10 lower on balance at 2113p as the company raised £47.5m through the successful outcome of a warrant exercise.

Meanwhile, Cantab Pharmaceuticals weakened 35 to 470p, Cortecs International fell 22 to 222p and Chiroscience receded 15 to 284p.

Turnover in support services group BET jumped to 20m shares, including a single trade of 8.5m, almost 1 per cent of the issued capital, which was done at 134.5p. The stock moved up 4 to 136p.

Conglomerate Suter was another stock that saw heavy volume, after Charterhouse Tilney crossed a block of 4m shares at 157p. The stock softened 3 to 162p.

The shares have been boosted by a positive analysts' visit to the company on Monday. Several brokers believe the shares to be cheap.

Pharmaceuticals leader Glaxo Wellcome relinquished 9½ at 952p in the wake of selling in New York, which was said to have been prompted by negative comments from one well-followed US tipster.

Media company WPP improved 4 to 176p, with Panmure Gordon recommending the stock up to 187p.

Publishing group Reed International dropped 24 to 1012p on speculation that ABN Amro Hoare Govett had downgraded its recommendation. In fact, the broker has maintained its long term buy stance.

Yorkshire Electricity added an extra 17 at 738p, as the market became increasingly convinced that one US utility is poised to make an offer for the company.

Enterprise Oil rallied 4 to 372p as the 60m-share stake placed by the company's joint venture Elf Enterprise on Wednesday was absorbed by the market.

Absorption also helped Royal Bank of Scotland, which bounced 7 to 565p following an earlier placing by Credit Lyonnais Laing, the company's broker.

Ashanti, the gold mining group, firmed to 1548p after Merrill Lynch placed 5.1m shares on behalf of the Ghanaian government, which now has a 20 per cent stake.

BAT Industries slipped 10 in early trading, after rival Philip Morris disappointed with its fourth-quarter figures. However, the stock rallied to close 3½ off at 581p.

Cable and Wireless improved 7½ to 452p, with Merrill Lynch said to be enthusiastic about the stock ahead of the eagerly awaited appointment of a new chief executive.

"A badly handled buying order" is how one trader described the day's activity in Rank Organisation. The shares ended the session 13 ahead at 472p.

One leading broker was also said to have advised clients to switch into Rank and out of Ladbroke, which lost 3 at 169p.

The same broker was said to have suggested investors switch out of Bass and into Whitbread. The former dipped 5½ to 741p, while the latter eased half-penny to close at 704½p.

Scottish & Newcastle, which has been holding presentations for analysts this week, put on 10 at 644p, with SBC Warburg said to be recommending the shares.

Building materials group Blue Circle moved foward 11 to 335p on hopes that the company would receive planning permission to develop the Channel tunnel link site in Ebbsfleet, North Kent.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Feb 1	Jan 31	Jan 30	Jan 29	Jan 26	Yr ago	*High	*Low
Ordinary Share	2762.8	2768.4	2758.0	2769.4	2766.3	2303.3	2788.2	2238.3
Ord. div. yield	3.79	3.79	3.81	3.90	3.91	4.54	4.73	3.79
P/E ratio net	17.08	17.10	17.00	16.67	16.62	17.81	21.33	15.35
P/E ratio nil	16.85	16.87	16.78	16.46	16.41	16.86	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96: low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2764.8	2754.4	2759.4	2760.2	2760.9	2759.5	2757.4	2756.5	2760.4	2764.8	2754.0

	Feb 1	Jan 31	Jan 30	Jan 29	Jan 26	Yr ago
SEAQ bargains	32,442	33,606	32,679	33,972	33,184	19,842
Equity turnover (£m)†	-	2428.7	2027.3	1463.5	2073.6	1447.8
Equity bargains†	-	39,548	37,895	40,313	38,415	26,367
Shares traded (ml)†	-	848.8	830.0	593.6	604.7	569.1

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	594	Total Highs	178	Total contracts	30,387
Total Falls	616	Total Lows	29	Calls	23,356
Same	1598			Puts	7,031

Feb. 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3761.0	3769.0	+8.0	3771.0	3754.0	8754	65536
Jun	3782.5	3771.5	+8.0	3782.5	3762.5	40	1233

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4140.0	+5.0			0	3307

■ FT-SE 100 INDEX OPTION (LIFFE) (*3753) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 31	% chg on day	Jan 30	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (35)	2305.74	-0.4	2314.73	1637.91	1.47	-	2328.49	1637.91
■ Regional Indices								
Africa (16)	3138.73	-2.2	3209.12	2447.95	2.89	34.69	3222.22	2272.74
Australasia (5)	2731.09	+0.6	2716.00	1981.63	2.11	42.16	2780.86	1788.20
North America (12)	2008.03	+0.4	2000.92	1348.18	0.67	60.00	2021.98	1348.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices — The UK Series

	Feb 1	Day's chge%	Jan 31	Jan 30	Jan 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3752.8	-0.2	3759.3	3735.3	3734.6	3034.7	3.82	2.07	15.85	8.83	1503.72
FT-SE Mid 250	4128.9	+0.1	4125.0	4095.7	4089.1	3383.8	3.55	1.76	19.94	20.10	1634.18
FT-SE Mid 250 ex Inv Trusts	4134.1	+0.1	4129.1	4098.8	4092.6	3393.9	3.69	1.82	18.62	21.54	1638.20
FT-SE-A 350	1865.8	-0.1	1868.0	1855.8	1854.9	1513.4	3.76	2.01	16.56	5.38	1530.14
FT-SE-A 350 Higher Yield	1868.3	-0.3	1871.1	1860.1	1854.1	1539.1	4.62	1.82	14.84	6.26	1270.62
FT-SE-A 350 Lower Yield	1870.2	.....	1869.6	1856.1	1860.7	1487.3	2.85	2.32	18.90	4.47	1279.96
FT-SE SmallCap	2021.87	+0.2	2018.51	2015.12	2013.76	1710.44	3.11	1.83	21.97	3.23	1637.19
FT-SE SmallCap ex Inv Trusts	1994.77	+0.2	1990.49	1988.12	1987.38	1690.64	3.33	1.92	19.54	3.34	1624.08
FT-SE-A ALL-SHARE	1840.21	-0.1	1841.96	1830.62	1829.69	1497.19	3.71	2.00	16.88	5.13	1533.20

■ FT-SE Actuaries All-Share

	Feb 1	Day's chge%	Jan 31	Jan 30	Jan 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3236.38	+0.6	3218.51	3210.89	3217.32	2659.39	3.61	2.02	17.10	0.00	1361.89
12 Extractive Industries(6)	4161.83	-0.1	4165.21	4107.90	4111.91	3566.04	3.57	2.56	13.70	0.00	1193.40
15 Oil, Integrated(3)	3289.16	+0.7	3266.18	3259.82	3265.22	2653.84	3.74	1.95	17.09	0.00	1418.88
16 Oil Exploration & Prod(15)	2095.69	+0.3	2088.57	2124.71	2141.03	1904.85	2.34	1.48	36.07	0.00	1243.93
20 GEN INDUSTRIALS(276)	2032.57	-0.2	2035.85	2027.26	2015.90	1789.48	4.06	1.85	16.59	1.18	1092.04
21 Building & Construction(34)	1062.79	-0.5	1067.66	1053.55	1050.98	950.15	3.77	2.17	15.26	0.36	875.91
22 Building Matls & Merchs(29)	1884.71	+0.6	1873.67	1827.89	1822.06	1706.11	3.98	2.03	15.49	0.61	935.67
23 Chemicals(23)	2459.59	+0.3	2448.77	2428.00	2426.61	2202.14	4.00	1.87	16.76	0.91	1143.01
24 Diversified Industrials(21)	1799.66	-1.4	1824.84	1852.31	1815.50	1755.62	5.48	1.43	15.94	1.99	985.10
25 Electronic & Elect Equip(38)	2270.60	.....	2271.38	2264.94	2268.54	1843.09	3.19	1.96	20.00	1.56	1165.70
26 Engineering(71)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(26)	[illegible]										
29 Textiles & Apparel(19)	[illegible]										
30 CONSUMER GOODS(91)	[illegible]										
32 Alcoholic Beverages(6)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(15)	[illegible]										
36 Health Care(20)	[illegible]										
37 Pharmaceuticals(13)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(253)	[illegible]										
41 Distributors(32)	[illegible]										
42 Leisure & Hotels(23)	[illegible]										
43 Media(40)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(43)	[illegible]										
47 Breweries, Pubs & Rest.(24)	[illegible]										
48 Support Services(40)	[illegible]										
49 Transport(21)	[illegible]										
60 UTILITIES(34)	[illegible]										
62 Electricity(13)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(7)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(668)	[illegible]										
70 FINANCIALS(108)	[illegible]										
71 Banks, Retail(9)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(24)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(23)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(127)	[illegible]										
89 FT-SE-A ALL-SHARE(903)	[illegible]										
FT-SE-A Fledgling	[illegible]										
FT-SE-A Fledgling ex Inv Trusts	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

[illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Constrn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. *The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

مكتبة الأمل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 1 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb 1 / Frs.)

[illegible]

CZECH REP (Feb 1 / Korunа)

[illegible]

DENMARK (Feb 1 / Kr)

[illegible]

FINLAND (Feb 1 / Mka)

[illegible]

FRANCE (Feb 1 / Frs.)

[illegible]

GERMANY (Feb 1 / Dm.)

[illegible]

GREECE (Feb 1 / Drachma)

[illegible]

ITALY (Feb 1 / Lira)

[illegible]

NETHERLANDS (Feb 1 / Fls.)

[illegible]

NORWAY (Feb 1 / Kroner)

[illegible]

POLAND (Feb 1 / Zloty)

[illegible]

PORTUGAL (Feb 1 / Escudo)

[illegible]

SPAIN (Feb 1 / Pts.)

[illegible]

SWEDEN (Feb 1 / Kronor)

[illegible]

SWITZERLAND (Feb 1 / Frs.)

[illegible]

TURKEY (Feb 1 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Feb 1 / Yen)

[illegible]

AUSTRALIA (Feb 1 / Aust$)

[illegible]

HONG KONG (Feb 1 / H.K.$)

[illegible]

INDONESIA (Feb 1 / Rupiah)

[illegible]

MALAYSIA (Jan 31 / MYR)

[illegible]

NEW ZEALAND (Feb 1 / NZ $)

[illegible]

SINGAPORE (Feb 1 / S$)

[illegible]

SOUTH KOREA (Feb 1 / Won)

[illegible]

TAIWAN (Feb 1 / TW $)

[illegible]

THAILAND (Feb 1 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Feb 1 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Feb 1 / Can $) 4 pm close

[illegible]

MONTREAL (Feb 1 / Can $) 4 pm close

[illegible]

INDICES

[illegible]

INDEX FUTURES

[illegible]

US INDICES

Dow Jones	Jan 31	Jan 30	Jan 29	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5395.30	5381.21	5304.98†	5395.30 (31/1/96)	3832.08 (30/1/95)	5395.30 (31/1/96)	41.22 (2/7/32)
Home Bonds	105.75	105.74	105.75	105.80 (22/1/96)	93.63 (3/1/95)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1946.74	1909.67	1908.54	2092.11 (5/12/95)	1473.19 (3/1/95)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	230.85	228.97	229.46	230.85 (31/1/96)	183.03 (3/1/95)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5433.24 (5409.75) Low 5314.38 (5288.73) (Theoretical♦)
Day's high 5408.67 (5381.57) Low 5350.50 (5306.79) (Actual♦)

Standard and Poors	Jan 31	Jan 30	Jan 29	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	636.02	630.15	624.22	636.02 (31/1/96)	459.11 (3/1/95)	636.02 (31/1/96)	4.40 (1/6/32)
Industrials♥	745.02	739.88	732.24	745.02 (31/1/96)	548.28 (3/1/95)	745.02 (31/1/96)	3.62 (21/6/82)
Financial	65.07	63.77	63.04	65.07 (31/1/96)	41.64 (3/1/95)	65.07 (31/1/96)	8.64 (1/10/74)
NYSE Comp.	340.03	337.28	334.20	340.03 (31/1/96)	250.73 (3/1/95)	340.03 (31/1/96)	4.46 (25/4/42)
Amex Mkt Val	554.10	550.96	547.86	554.10 (31/1/96)	433.12 (6/1/95)	554.10 (31/1/96)	29.31 (9/12/72)
NASDAQ Cmp	1059.79	1051.20	1042.50	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

RATIOS

	Jan 26	Jan 19	Jan 12	Year ago
Dow Jones Ind. Div. Yield	2.24	2.28	2.33	2.79
	Jan 31	Jan 24	Jan 17	Year ago
S & P Ind. Div. yield	1.91	1.95	2.01	2.42
S & P Ind. P/E ratio	19.43	18.96	18.42	16.96

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Hanson	11,920,100	15½	−¼
WalMart	6,757,000	20¼	+¼
Ford Motor	5,773,900	29¾	—
IBM	5,004,200	108¾	+⅛
Westinghouse	3,999,000	20⅝	+¾
Kmart	4,987,700	5⅞	−⅛
Fed Natl	4,309,500	34½	+1⅛
Gen Motors	3,884,600	52¾	−1
Philip Morris	3,450,300	93	−2
Loral	3,001,200	46¼	−⅞

TRADING ACTIVITY

● Volume (million)

	Jan 31	Jan 30	Jan 29
New York SE	472.058	464.327	382.858
Amex	26.405	28.531	19.041
NASDAQ	574.269	554.064	444.785
NYSE			
Issues Traded	3,108	3,103	3,073
Rises	1,569	1,655	1,333
Falls	808	772	955
Unchanged	731	676	785
New Highs	303	278	168
New Lows	20	22	13

S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	637.65	636.60	−1.35	637.80	636.30	91,313	190,744
Jun	642.60	643.50	-	-	-	1,057	8,035

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	20830.0	20980.0	+190.0	21020.0	20800.0	24,510	154,386
Jun	20810.0	21000.0	+180.0	21000.0	20800.0	1,650	20,860

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Thursday, February 1, 1996

	Stocks Traded	Closing Prices	Change on day
NKK Corp	28.5m	309	+4
Nippon Steel Corp	23.5m	370	+2
Rhythm Watch	14.5m	513	+38
Mitsui Eng & Bld	13.8m	303	+9
Japan Steel Wk	11.9m	365	+27
Central Glass	11.8m	513	+60
Iseki	11.8m	527	+13
Kyokuyo	11.1m	920	+71
Isuzu Motors	10.7m	540	+34
Mitsubishi Hvy	10.7m	855	+6

4 pm close February 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22⅛	12⅛	AAR x	0.48	2.3	25	202	20⅞	20⅝	20¾	+⅛
46¾	35	AMP	1.00	2.6	19	5906	39¼	38½	38½	-½
80¾	53⅝	AMR			31	5336	77¾	75⅝	77	+1
49⅞	35⅜	ASA	1.71	3.5	32	3098	u49⅞	46⅞	48⅞	+2⅛
44¾	30¾	AbtLab	0.84	2.0	20	10164	43	42½	43	+¾
18⅞	12	Abitibi Pr	0.40	2.4	8	978	16⅝	16⅜	16⅝	+⅛
28½	21	ABM Ind	0.70	2.5	15	357	28	27¾	27¾	-¼
17½	13⅛	Acptncein			10	326	15	14¾	14⅞	+⅛
44½	21⅞	ACE Ltd	0.56	1.3	10	1537	u44½	44⅛	44½	+⅜
9⅞	8⅛	ACM Gvt In x	0.90	9.2	5	168	9¾	9⅝	9¾	+⅛
7⅞	6½	ACM OvOpp x	0.66	8.5		213	7¾	7⅝	7¾	+⅛
7½	6¾	ACM Gvt Sp x	0.75	10.5		516	7⅛	7	7⅛	+⅛
9	7¼	ACM Gvt Sa x	0.90	10.1		601	u9	8⅞	8⅞	
9½	7⅝	ACM Man x	0.90	9.9		130	9⅛	9	9⅛	+⅛
29¼	10¼	AcmeClv x	0.52	2.8	4	239	18¾	18½	18¾	+⅛
30¾	7⅞	Acme Elect			65	71	8⅛	7⅞	8	
34½	23¾	Acordia	0.72	2.4	16	55	29⅝	29⅜	29½	-⅛
16¾	10⅛	Acuson			45	376	14⅞	14⅜	14½	-⅜
19⅝	16⅝	Adams Expr	0.36	1.9	0	244	19⅛	19	19⅛	+⅛
39⅞	16⅛	AdvMic			7	13172	20½	19⅜	20⅜	+½
9⅞	5	Advest Grp	0.16	1.7	9	68	9¾	9⅝	9⅝	-⅛
27½	18½	Advo Inc	0.10	0.5	22	240	21¼	21⅛	21⅛	-¼
46¾	24.80	Aegon	1.28	3.0	16	114	42⅝	41¼	42⅝	+1⅛
5⅞	3⅜	Aerflex			7	40	3¾	3¾	3¾	
76¾	46¾	AetnaL x	2.76	3.7	35	4092	74½	73⅝	74¼	-¼
49½	31⅞	Aflac	0.52	1.1	14	2836	u49½	47¾	48⅞	+1½
28⅜	16	Ahmson	0.88	3.6	7	5881	24	23¼	23⅜	-⅝
58½	43⅞	AirPrC	1.04	2.0	16	8252	53½	53⅛	53¼	-⅛
29½	18⅜	Airbrne Frt	0.30	1.1	25	1326	27	26¾	27	+⅜
36	19⅝	Airgas Inc			30	960	u36	34⅞	35¾	+⅞
18	13⅜	Airlease	2.00	11.3	12	38	17¾	17½	17⅝	+⅛
35⅝	24	AirTch			116	9128	29⅛	28⅜	29⅛	+⅞
21⅞	13½	Alaska Air	0.20	1.0	15	6446	19⅞	19¼	19¼	-½
28½	17⅛	Albany Int	0.40	2.2	12	476	18½	18⅛	18⅜	-⅛
20	12⅝	Alberti	0.22	1.1	16	1442	19¾	18½	19⅜	+¾
[illegible]										

- B -

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
23⅝	7⅞	Barry(RG)			30	334	17⅝	17	17	-⅛
12⅜	7⅝	BattlMt	0.05	0.5	155	17161	11⅛	10¾	10⅞	+¼
44½	30⅞	Bausch	1.04	2.6	42	1510	39⅝	38¾	39¼	+⅜
46⅝	28⅜	Baxter	1.13	2.5	19	2821	45⅝	44⅝	45	-½
29⅞	22¼	Bay St Gas	1.50	5.2	14	137	29⅜	29	29	-½
48¾	27	BBN			10	1339	30¼	29⅝	29⅞	+¼
22⅜	19	Bd Tr 1838	1.64	7.4		32	u22⅜	22¼	22¼	-⅛
8⅝	6⅞	BEA IncFd	0.72	8.6		577	u8⅝	8¼	8⅜	+⅛
9⅛	8½	Bea Strat	0.81	8.9		61	u9⅛	9	9⅛	
23⅜	15⅜	Bear Sims	0.60	2.7	6	1672	23	22½	22½	-½
44½	40¾	BearSPIA	2.75	6.3		4	43¾	43¾	43¾	
29⅝	12¼	Bearings	0.56	2.2	15	126	26	25	26	+1¼
35⅞	28½	Beckmen In	0.44	1.3	20	694	35	34¾	34⅞	-⅛
86⅝	48	BectnD	0.92	1.1	22	2241	86⅜	84⅞	85	-1⅜

- C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

[illegible]

Continued on next page

4 pm close February 1

NYSE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
37⅞	30½	SFeP Pipe x	3.00	8.0	18	79	37¾	37	37½	+⅜
33⅞	24¾	SaraLee	0.76	2.3	19	7421	33¾	33⅛	33½	-¼
60¼	39⅝	SBC Cm.	1.65	2.9	18	4013	57⅞	56⅝	57⅞	+⅛
28⅝	20½	Scana Corp	1.44	5.3	17	790	27½	27⅛	27¼	-⅛
18⅝	14½	Scecrp	1.00	5.5	10	5388	18½	18⅛	18¼	-⅛
11¼	5⅞	SchwitA x	0.26	3.2	20	88	8⅜	8⅛	8¼	-¼
50¼	37¼	SchererRP			20	2373	39½	38½	39⅜	-⅛
60¾	35½	SchrPl x	1.16	2.1	22	6328	55⅛	54⅜	55	+⅞
72	50⅛	Schlmb	1.50	2.1	26	10772	u72	69¾	71⅞	+1¾
29	11¼	Schwab(C) x	0.16	0.7	25	3101	24⅞	24¼	24½	-½
26½	20⅜	SchwMaud				4454	u26½	24⅝	26½	+1⅝
24⅞	11⅜	SciAtl	0.06	0.4	35	5049	16⅜	16	16⅛	-⅜
20	15⅛	Scotman	0.10	0.6	11	64	17⅝	17⅜	17⅜	-½
41½	28⅝	Scripps	0.52	1.3	24	1719	u41½	40¼	41¼	+⅝
21½	13⅜	ScuddrNAsF x	0.02	0.1		601	17⅞	17¾	17⅞	+⅛
11⅞	8⅞	ScuddrNEuF	0.16	1.4		847	11½	11¼	11½	+¼
20	13⅞	SeaCnB	0.70	4.1	1	2	16⅞	16⅞	16⅞	-⅛
16¼	14⅝	SeaC1.4625	1.46	9.4		z100	15⅝	15⅝	15⅝	-⅛
60	23⅞	S'gate			11	7849	59	58	58⅝	-⅝
39½	25⅝	Seagrm	0.60	1.6	25	3217	36⅜	36	36⅜	
22½	15¼	Seagul En			956	5407	19¼	18½	19⅛	+¾
30¾	18	Sealed Air			24	771	30⅜	29½	30⅛	+¾
43⅝	30⅜	SearsR	0.92	2.2	11	9244	41¾	40⅞	41½	
20½	16⅜	SecCapStI x	1.24	6.3	23	1036	19¾	19⅝	19¾	+⅛
12⅞	10⅜	Seligm Sel-	0.84	6.5		21	u12⅞	12¾	12⅞	+⅛
38¼	13⅝	Sensormat x	0.22	1.4	13	11515	15⅞	14⅞	15¼	+⅞
34⅝	21⅞	SeqnsA	0.60	1.9	14	584	32¼	31⅞	32	+⅛
41⅝	23	SeqsaB	0.50	1.2	21	7	41⅛	41	41	
17⅞	12½	Tlley Pf	1.00	6.3		2	15¾	15¾	15¾	-⅛
53	37⅞	Tmbrds	1.76	3.6	20	2361	49⅛	48¼	48¾	-⅝
19¾	9¼	Tandem			14	3982	9½	9⅜	9⅜	
64⅝	34⅛	Tandy	0.80	2.0	12	6343	40	38	40	+1⅞
10⅝	8	Taurus Mun	0.66	6.5		120	u10⅝	10½	10½	-⅛
5	1⅞	TCCInd			72	5	2¼	2¼	2¼	-⅛
26½	20	Teco Energ x	1.06	4.0	17	1204	26⅞	26⅛	26¼	+⅛
61⅞	31⅞	Tktrnx	0.60	1.3	17	2803	46⅛	45¼	45½	-¼
29¼	24¼	TeleDa	0.93	3.3	3	1364	28⅛	27¾	27⅞	
27⅝	19¾	Teldyn	0.40	1.6	8	1236	25⅜	25⅛	25¼	+¼
44⅞	33¼	TeleEspSA x	1.27	2.9	16	538	44⅛	43⅝	44	-⅛
41½	23	Telmex	0.67	2.6	11	14487	34	33⅝	33⅞	
55¾	39⅞	Teoplnl	1.20	2.8	9	1754	43¾	43⅛	43½	-⅛
22⅛	16⅝	TempltEmMk	0.27	1.3		203	21⅛	21	21	-⅛
7¾	6¼	TempltGlob x	0.60	8.0		255	7½	7⅜	7½	
7½	6⅜	TempltGlFd	0.60	8.3		1066	7⅜	7¼	7¼	-⅛
52⅞	41⅞	Tenneco	1.80	3.5	12	6977	51¾	51⅛	51⅝	
37¼	25¼	Teppco Ptrs x	2.80	8.0	10	67	35⅞	35⅛	35⅛	-⅛
43	16	Teradyne			7	15088	23	22	22¾	+⅝
7⅛	3⅛	Terex	0.06	1.3	1	86	4⅝	4½	4½	
14⅞	9¾	Terra Inds	0.12	1.0	6	2845	12⅜	12⅛	12¼	+⅛
12	7¼	Tesoro			3	950	8⅝	8½	8⅝	+⅛
82⅞	58¼	Texaco	3.20	3.9	32	7485	u82⅞	80⅝	82⅞	+2
58¾	30⅛	Texas Ind x	0.40	0.7	10	464	u58¾	56⅞	58⅝	+2½
83½	34½	TxInst	0.68	1.4	8	28883	47½	45½	47⅛	+⅝
28¾	17	Texas Pac	0.40	1.5	21	49	26¾	26	26¼	+¼
42½	30⅛	TxUtil	3.08	7.5	50	5114	41¼	40⅜	41	+⅛
3⅞	2⅞	Texfi Inds	1.10	40.0	1	11	2¾	2⅝	2¾	+⅛
78⅝	48⅝	Textrn	1.56	2.0	14	1612	u78⅝	77	78⅝	
5⅝	3⅝	Thackeray			74	5	5¾	5¼	5¼	
19	13¼	Thai Cap	1.96	12.1		6	16⅛	15¾	15¾	-⅛
[illegible]										

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- W -

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Prices are supplied by Telekurs

FT Free Annual Reports Service

AMEX COMPOSITE PRICES

4 pm close February 1

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close February 1

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMERICA

Profit-taking pulls Dow from the peak

Wall Street

Leading US stocks fell yesterday morning, ending their record breaking run, as profit-taking set in following Wednesday's interest rate cut, *writes Maggie Urry in New York.*

A sharper than expected fall in the National Association of Purchasing Management's index in January also raised concerns that the economy was becoming too weak.

However, by 1pm the Dow Jones Industrial Average had recovered much of an earlier 24-point fall, and was off 9.03 at 5,386.27. The broader indices were more resilient, with the Standard & Poor's 500 up 0.25 at 636.27.

Stronger technology and biotechnology stocks lifted the American Stock Exchange composite by 0.97 to 555.07 and the Nasdaq composite by 5.14 at 1,064.93.

Volume on the New York SE came to 262m shares.

The fall in the Dow was in spite of a rise of $1⅞ to $110⅞ in IBM, a Dow constituent. Other technology stocks were firm, recovering from a sell-off in recent weeks. Micron Technology, rose $1⅛ to $35⅜ in heavy trading, while LSI Logic was up $3⅝ to $31¾ with brokers saying January orders were good. Motorola, the communications group, was up $1⅞ to $55½.

In the bio-technology sector, Amgen gained $2 to $62⅛, following strong fourth quarter earnings announced late on Wednesday, and indications from the company that 1996 would see earnings up by 15 to 20 per cent.

However, some technology stocks fell. Adobe Systems, the software group, dropped $4 to $30 in early trading, adding to Wednesday's $3½ fall, before recovering to $33⅜. Several brokers downgraded the stock and cut forecasts citing disappointment with the recent Frame Technology acquisition.

Netscape Communications, the internet browser group, fell $10¼ to $154 after reporting earnings, late on Wednesday, which came in below the market's high hopes.

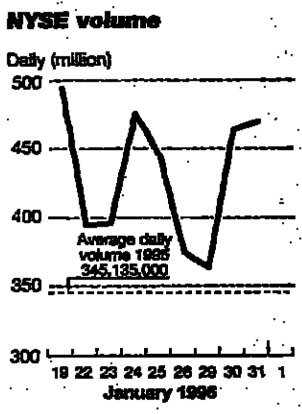
Lower fourth quarter earnings from Circon, which makes video equipment for medical use, cut the shares $4¼ to $11⅛, a drop of 27 per cent. Earnings from Informix, a database group, also disappointed the market and its shares fell $1⅛ to $31⅛.

News of a $270m restructuring charge at Toys R Us, the toy retailer, lifted the shares $1¼ to $23⅜. Whirlpool, the domestic appliance maker, forecast better earnings later in 1996 after a poor first quarter, which pushed its shares up $1⅞ to $55⅞.

Insurers suffered a bout of profit-taking after rising on Wednesday's rate cut: General Re fell $2⅝ to $150¼, AIG was down $1⅞ to $95⅛, and Chubb declined $3⅛ to $100⅝.

Gold shares gained on the continued strength in the gold price. Newmont Gold was up $2⅞ to $57⅞.

NYSE volume



Canada

The Toronto market burst through the 5,000 level for the first time ever in brisk trade, led by rallying gold stocks and a strong performance by the oil and gas sector in response to the record cold weather that hit Canada and the US this winter.

The TSE 300 composite index was 32.07 stronger by noon at 5,000.50 in very heavy volume of 60.2m shares.

Gold mining stocks were broadly higher as London spot prices were fixed at their highest level since August 1990.

Mexico weakens

Mexico City opened weaker and was unable to shake off the negative sentiment by mid-morning. At noon the IPC index was down 24.95 at 3,009.70.

Analysts said many investors had begun to take profits earlier this week following the market's strong start to the year. Worries about high inflation and the peso's ability to weather lower interest rates had also caused some institutions to reduce their exposure.

Autlan, a mining company, was 3.75 per cent higher on midweek news that it was considering making acquisitions abroad.

Elektra, the retailer, down 5.4 per cent, and Sears, which dropped 4.6 per cent, were among early losers.

SAO PAULO, in contrast, was enjoying a good morning session, as the Bovespa index climbed 1,264 or 2.4 per cent to 52,779. There was a feeling that the cut in US interest rates would encourage new US buyers to enter the market.

SA golds at 12-month high

Gold shares gathered last minute momentum to end at a new 12-month high. The golds index surged 57.1 to 1,755.2, the overall index gained 29.3 at 6,900.2 and industrials made 20.3 to 8,619.3.

The gold miners were encouraged as London spot prices were fixed at $409.10 an ounce, the highest since August 1990. But Gencor lost 25 cents at R14.85 following Wednesday's announcement of a $115m assets-for-equity swap with two Canadian gold producers.

South African Breweries strengthened R1 to R137 and Malbak, a consumer goods group, advanced R1.25 to R26.50. Sappi, however, a pulp and paper concern, relinquished 75 cents at R47.50.

EUROPE

Mr Maccanico gets guarded welcome in Milan

The appointment of a compromise candidate, Mr Antonio Maccanico, as prime minister designate was given a guarded welcome in **MILAN**.

The appointment put off the prospect of the country being plunged into a general election campaign, three years early.

However, analysts cautioned that Mr Maccanico potentially still faced an uphill struggle as he tried to form a cabinet with broad backing to head the country's 55th government since the end of the Second World War.

The Comit index rose 10.61 to 630.55, while the real-time Mibtel index closed 188 ahead at 10,061.

Fiat fell L102 to L5,232 after Wednesday's annual letter to shareholders. Actinvest, an independent research group which downgraded the stock, noted that the income statement had been penalised by both a decline in Brazilian car sales and a stronger lira in the second half of 1995.

By contrast, Fidis soared L623 to L4,207 on news that the carmaker planned to launch a public offer this month for 48 per cent of its financial services arm at L4,300 a share.

Banks put in a strong performance on hopes that a new government could herald an early interest rate cut. BCI rose L106 to L3,719, Credito Italiano L49 to L2,022 and IMI L373 to L11,236.

FRANKFURT decided that the Bundesbank's inaction on key interest rates gave it room to lower them in future; the Dax index ended at a new all-time high, 9.53 ahead at an Ibis-indicated 2,472.53. Turnover eased from DM13.4bn to DM11.25bn.

Construction issues climbed for the third day in succession, Hochtief ending DM32 up at DM702 for a rise of 9.8 per cent on the week to date.

Mr Michael Geiger, German strategist at CS First Boston, said that the German programme for capital investment and job creation, announced at the weekend, would be partly construction related; that the sector was depressed, with share prices down 33 per cent in 1995; and that last week's Hochtief progress report had been comforting.

The story that the Transrapid high-speed train project would be more expensive than planned left Thyssen DM3.05 lower at DM283.55.

PARIS was not excited by the 15 basis-point cut from the Bank of France in its intervention rate and the CAC-40 index added just 3.06 at 2,024.09.

Turnover was FFr7bn, reflecting heavy foreign interest in the market.

Danone rose FFr13 to FFr823, recovering from a session's low of FFr802 in reaction to disappointing 1995 results.

MADRID's general index hit a new closing high, up 1.54 at 331.88, as foreign buying lifted Repsol by Pta145 to Pta4,505 for a four-day gain of 7.8 per cent. The current, and final, privatisation of the Spanish oil major was capped yesterday at 11 per cent of the equity.

Another big winner was Banco Central Hispano, up Pta125 or 4.8 per cent to Pta2,725. BCH announced a 62 per cent drop in 1995 profits; but this had been trailed a couple of months ago, said Ms Ann Popelka at James Capel in Madrid, and yesterday's gain looked like a punt on restructuring prospects.

HELSINKI saw considerable buying in the forestry sector as the HEX index rose 1.7 per cent to a four-week high of 1,781.62. Turnover was FM414.6m, of which 12 per cent was accounted for by forestries, which saw a sector gain of some 4 per cent. Kymmene put on FM4.50 at FM115 and Repola FM4 at FM83. **STOCKHOLM** combined a 3.5 per cent forestry sector rally with a continued recovery in Ericsson B, up SKr3.50 at SKr143 following the fourth-quarter tumble in technology stocks worldwide. The Affärsvärlden index rose 13.7 to 1,779.4.

ZURICH made solid gains on bonds and the dollar, the SMI index adding 31.2 at 3,279.9. In banks, the recently volatile UBS picked up SFr24 to SFr1,282.

Among issues said to be rising in response to recent recommendations, Alusuisse put on SFr23 at SFr965 and Nestlé SFr10 at SFr1,285.

BRUSSELS finished at a record high, the Bel-20 index breaking through 1,700 to close with a gain of 25.51 or 1.5 per cent at 1,715.74.

One of the day's best rises came from Tessenderlo, the chemicals company, up BFr925 or 7.8 per cent to BFr12,800.

AMSTERDAM made ground in the last half-hour following a 20 basis-point cut in the special advances rate to 3 per cent. The AEX index rose 0.36 to 508.74, after a day's low of 499.75 on profit-taking.

DSM was one of the day's best performers, rising Fl 3.90 to Fl 144.20, while Akzo slipped 40 cents to Fl 176.70 as institutions switched portfolios.

WARSAW was unable to build on Wednesday's rise when the market hit a 52-week high, and the Wig index dipped 135.8 or 1.3 per cent to 10,277.3. Turnover dropped 23 per cent to 168m zlotys.

Elektrim, the industrial and trading conglomerate, moved ahead 5 per cent to 14.7 zlotys in heavy turnover ahead of news that a consortium, in which it has a 32.5 per cent stake, had won a GSM cellular telephone licence.

ISTANBUL cleared the 50,000 level as it rose nearly 4 per cent to a six-month peak. The composite index closed 1,947.82 higher at 51,437.32, and turnover was strong at TL18,000bn.

Brokers commented that the market was clearly helped higher by the ending of a potential military conflict between Turkey and Greece on Wednesday.

ATHENS was also firmer as diplomatic tensions with Turkey subsided. The general index rose 4.95 to 894.40 in turnover of Dr9.7bn.

Brokers said that lower domestic interest rates and reports that the new government would honour commitments relating to forthcoming privatisations and public works provided a positive backdrop.

BUDAPEST finished higher for the 14th consecutive session. The BUX index climbed 22.56 to 2,090.62 in turnover up from Ft1.7bn to Ft1.9bn.

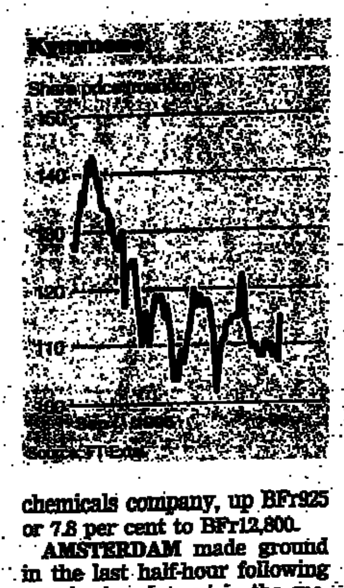
Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Feb 1	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1567.86	1568.45	1568.96	1570.41	1569.28	1569.15	1570.44	1570.74
FT-SE Eurotrack 200	1670.76	1669.95	1671.23	1670.32	1671.44	1671.76	1670.22	1670.62

	Jan 31	Jan 30	Jan 29	Jan 26	Jan 25
FT-SE Eurotrack 100	1559.54	1549.40	1539.25	1536.40	1543.95
FT-SE Eurotrack 200	1662.99	1658.45	1654.61	1644.06	1651.49

Base 1000 (26/10/90); Highday: 100 - 1571.64; 200 - 1673.47 Lowday: 100 - 1567.21 200 - 1668.19 † Partial



ASIA PACIFIC

Overseas demand for cyclicals helps Nikkei ahead

Tokyo

Active buying of cyclicals by overseas investors countered domestic selling and the Nikkei average gained ground in high volume, *writes Emiko Terazono in Tokyo.*

The 225 index closed 122.38 higher at 20,935.12, after moving between 20,761.21 and 20,942.69. Share prices were depressed in early trading as domestic institutions continued to take profits ahead of the March book closing, and a decline in futures prices prompted arbitrage linked selling; but active foreign and individual buying lent support.

Volume came to 784m shares, against 731m. Traders said an increasing number of individuals were placing orders for large-capitalisation stocks. "Fresh funds from private investors who are totally new to stock investments are coming in," said Mr Yasuo Ueki at Nikko Securities.

The Topix index of all first section stocks gained 11.41 at 1,624.52 and the Nikkei 300 put on 1.87 at 303.66. Rises outnumbered falls by 736 to 339, with 146 issues unchanged.

In London the ISE/Nikkei 50 index was up 2.24 at 1,420.19.

Overseas investors led the rally, buying large-capital steels and shipbuilders on expectations of an economic recovery. Nippon Steel rose Y2 to Y370 and NKK Y4 to Y309.

Toshiba gained Y7 at Y840 on projections that its recurring profits would rise by 70 per cent during the current business year. The high-technology sector was mixed, however. Sony fell Y60 to Y6,490.

Chemicals rose on recovery hopes, Mitsui Toatsu Chemicals by Y22 to Y455 and Sumitomo Chemical by Y23 to Y543. Car companies were higher on the yen's weakness. Isuzu Motors added Y34 at Y540 and Mazda Motor Y11 at Y470.

Speculative stocks continued to attract individual investors. Rhythm Watch forged ahead Y38 to Y513 and Iseki, the agricultural machinery maker, finished Y13 stronger at Y527.

Banks were mixed as investors refrained from trading the sector amid current parliamentary talks over the housing loan bailout. Industrial Bank of Japan improved Y10 to Y2,980 but Bank of Tokyo dipped Y10 to Y1,720.

In Osaka, the OSE average rose 118.49 to 22,450.05 in volume of 289.4m shares.

Roundup

Strong demand by foreign funds and speculative purchases in export-linked stocks and large-capitalised shares powered **BOMBAY** 2.4 per cent higher, the BSE-30 index breaking through the psychological 3,000 level to end 69.58 up at 3,001.42.

Analysts noted that the weak rupee, which fell to another all-time low against the dollar, losing more than 2 per cent in two days, failed to halt the foreign buying.

HONG KONG picked up after a bout of profit-taking followed the expected cuts in key US interest rates overnight, prompting the local discount window rates to follow suit.

The Hang Seng index edged up 3.10 to 11,362.80, off an intraday low of 11,278.70, in turnover that fell to HK$7.5bn.

Analysts said that cautious domestic investors took profits on the good news, but more bullish European interests pushed prices back up when they appeared in the afternoon.

Kumagai Gumi rose 50 cents to HK$7.20 on announcing that it planned to list its China Yangpu infrastructure project on the Hong Kong market.

Brokers said talk of fresh covered warrant issues on Henderson Land and Bank of East Asia helped to hold sentiment back. Both stocks were among the six on which seven warrant issues were launched on Wednesday. Henderson Land slipped 25 cents to HK$58.50 and Bank of East Asia lost 10 cents at HK$33.

SINGAPORE was led marginally higher by strong gains in property stocks with large exposure to the buoyant office sector, and the Straits Times Industrial index moved up 3.10 to 2,452.25.

Scotts, which resumed trading after a week's suspension, continued to see speculative interest on talk of a takeover. It ended up 5 cents at S$1.43.

SEOUL moved ahead as institutional buying focused on bank shares and some blue chips, taking the composite index 6.31 higher to 885.13. Analysts noted that rumours that hostile takeovers would be allowed in the banking industry had fuelled buying of bank shares, widely regarded as undervalued.

The banking sub-index gained 3.3 per cent and blue chips, particularly telecommunication shares, also climbed steadily. Korea Mobile Telecom added Won8,000 at Won666,000, off a record high of Won690,000 reached in the morning.

SYDNEY featured a recovery in WMC, down on Tuesday after a gold mine accident in Western Australia but back up again, 14 cents ahead at A$8.40 on a nickel price rally in offshore markets on Wednesday. In the broad market, the All Ordinaries index closed 8.4 easier at 2,285.1, well up from its low for the day.

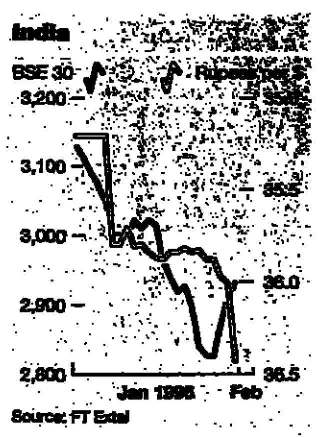
MANILA yawned at the US rates cut and the composite index rose just 15.07 to 2,900.83 on buying in second liners.

TAIPEI saw institutions related to the ruling Nationalist party supporting the market in late trade, and the weighted index closed 11.88 higher at 4,775.28. Winbond Electronics jumped T$2.50 to T$77.50 on news of a generous stock dividend, but the scandal hit International Bills Finance (IBF) dropped T$1.20 to T$17.70 on a planned capital reduction of 30 per cent in response to its financial difficulties.

BANGKOK worried over Thailand's rising consumer price index, and the SET index closed 10.73 down at 1,399.60 in turnover of about Bt11bn. Just before the market closed the Commerce Ministry announced a January inflation rate of 7.4 per cent, year-on-year.

● Kuala Lumpur was closed for a holiday.

India



Source: FT Extel

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 31 1996								TUESDAY JANUARY 30 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	195.80	1.5	192.11	132.32	151.46	174.84	1.1	3.83	192.89	190.11	130.76	149.40	172.95	196.40	157.95	161.21
Austria (26)	187.71	1.1	184.18	126.86	145.20	145.01	0.9	1.49	185.71	183.04	125.90	143.84	143.66	199.28	167.48	178.38
Belgium (34)	214.48	1.1	210.44	144.95	165.91	161.80	0.9	3.23	212.08	209.03	143.78	164.27	160.30	215.22	186.86	187.40
Brazil (28)	161.34	0.7	158.30	109.04	124.80	290.48	0.7	1.62	160.18	157.88	108.59	124.07	288.39	161.34	86.06	147.48
Canada (101)	155.49	-0.3	152.56	105.08	120.28	154.92	-0.4	2.41	155.89	153.65	105.69	120.75	155.59	155.89	122.58	122.58
Denmark (33)	299.68	0.8	294.04	202.53	231.82	234.69	0.6	1.39	297.39	293.11	201.61	230.35	233.23	302.74	252.41	255.02
Finland (24)	182.49	2.2	179.06	123.33	141.17	174.40	1.9	1.82	178.55	175.99	121.05	138.30	171.19	276.11	171.13	183.20
France (99)	186.35	1.3	182.84	125.94	144.15	149.31	1.1	3.04	184.03	181.38	124.76	142.54	147.76	191.17	159.06	159.06
Germany (60)	171.28	1.6	168.06	115.76	132.49	132.49	1.4	1.80	168.65	166.22	114.33	130.63	130.63	171.28	139.77	139.77
Hong Kong (59)	441.31	1.4	433.00	298.24	341.37	438.06	1.4	3.23	435.14	428.89	295.00	337.05	432.01	441.31	293.01	293.01
Ireland (16)	257.57	1.1	252.72	174.07	199.24	231.88	0.7	3.31	254.90	251.24	172.81	197.44	230.23	262.70	205.44	207.99
Italy (59)	77.37	1.5	75.91	52.29	59.85	82.10	1.1	1.59	76.25	75.15	51.69	59.06	81.11	82.71	65.45	80.38
Japan (482)	152.26	1.3	149.39	102.90	117.78	102.90	1.0	0.74	150.27	148.11	101.87	116.40	101.87	164.82	136.95	148.16
Malaysia (107)	509.55	0.3	499.96	344.37	394.16	502.43	0.3	1.66	508.06	500.75	344.43	393.53	500.76	561.96	418.90	418.90
Mexico (18)	1186.37	-2.3	1164.05	801.77	917.70	9837.64	-1.2	1.44	1214.13	1196.67	823.11	940.44	9762.91	1237.14	647.81	993.80
Netherland (19)	273.52	0.4	268.37	184.65	211.58	207.97	0.3	3.65	272.32	268.41	184.62	210.93	207.33	280.40	218.81	219.21
New Zealand (14)	80.50	2.1	78.99	54.41	62.27	63.55	1.5	4.68	78.86	77.72	53.46	61.08	62.60	85.49	72.77	72.39
Norway (33)	226.19	0.8	221.93	152.86	174.97	199.96	0.8	2.09	224.41	221.18	152.13	173.82	198.76	243.79	202.75	216.08
Singapore (44)	449.82	2.2	441.15	303.88	347.80	294.09	2.1	1.37	439.79	433.46	298.15	340.65	287.89	449.82	340.31	340.31
South Africa (43)	427.75	-1.1	419.68	289.08	330.88	341.23	-1.4	2.63	432.51	427.36	293.95	335.87	346.04	437.71	331.66	391.05
Spain (37)	165.25	1.4	162.13	111.68	127.82	155.93	0.8	3.57	163.02	160.68	110.52	126.27	155.58	168.91	124.10	129.85
Sweden (47)	305.31	1.2	299.56	206.33	236.17	314.01	0.9	1.91	301.75	297.41	204.57	233.73	311.16	324.21	232.23	265.60
Switzerland (38)	222.58	0.6	218.38	150.42	172.17	188.99	0.3	1.59	221.21	218.03	149.97	171.34	188.42	226.56	162.38	162.50
Thailand (46)	191.91	1.9	188.30	129.70	148.45	188.44	1.9	2.13	187.95	185.25	127.42	145.58	184.86	191.91	130.15	136.60
United Kingdom (205)	228.62	1.1	224.31	154.50	176.84	224.31	0.7	4.14	226.03	222.78	153.24	175.08	222.78	229.23	192.73	192.73
USA (632)	259.21	0.9	254.33	175.18	200.51	259.21	0.9	2.20	256.86	253.14	174.12	198.94	256.83	259.21	192.80	192.62
Americas (778)	236.81	0.9	232.35	160.04	183.18	199.06	0.9	2.20	234.80	231.42	159.18	181.87	197.36	236.81	177.20	177.20
Europe (731)	201.60	1.1	198.00	136.38	156.10	176.72	0.9	2.99	199.54	196.67	135.27	154.55	175.28	204.32	167.65	167.65
Nordic (137)	272.59	1.2	267.48	184.22	210.86	241.28	0.9	1.92	269.37	265.50	182.62	208.65	239.00	295.02	222.22	227.87
Pacific Basin (833)	165.37	1.3	162.26	111.76	127.92	114.77	1.1	1.16	163.20	160.85	110.64	126.41	113.56	171.87	145.88	154.27
Euro-Pacific (1564)	180.44	1.2	177.05	121.95	139.59	138.29	0.9	2.02	178.24	175.67	120.83	138.06	137.03	183.89	156.37	159.75
North America (733)	252.78	0.9	248.02	170.83	195.54	252.19	0.9	2.21	250.86	246.98	169.87	194.08	249.99	252.78	188.45	188.47
Europe Ex. UK (526)	182.60	1.1	179.17	123.41	141.25	148.69	0.9	2.35	180.66	177.97	122.41	139.86	146.85	184.61	150.45	150.45
Pacific Ex. Japan (351)	295.61	1.4	291.41	198.84	221.86	252.63	1.2	2.81	292.96	288.75	198.63	219.17	249.98	295.61	218.81	218.81
World Ex. US (1736)	182.29	1.1	178.85	123.19	141.01	142.82	0.9	2.13	180.36	177.76	122.22	139.64	141.43	184.71	158.72	159.93
World Ex. UK (2163)	203.63	1.0	199.80	137.62	157.52	171.41	0.9	1.91	201.57	198.67	136.65	156.13	169.88	203.63	168.82	167.46
World Ex. Japan (1906)	235.70	0.9	231.26	159.29	182.32	222.92	0.8	2.63	233.49	230.13	158.29	180.85	221.07	235.70	182.93	182.93
The World Index (2388)	205.67	1.0	202.00	139.13	159.25	178.19	0.9	2.12	203.77	200.84	138.14	157.83	174.86	205.67	169.20	169.69

NEWS: UK

Decisions to locate in region expected soon from Hong Kong and Japanese companies

Wales wins first Korean investment

By Roland Adburgham in Cardiff

The first investment in Wales by a South Korean company is to be announced by the British government on Monday. Halla, a large engineering and heavy industry group, is investing about £17m ($25.7m) in a new plant at Merthyr Tydfil in south Wales. It will create 300 jobs.

There was competition for the project from elsewhere in the UK and from Belgium. The company's subsidiary Halla Euro Enterprise has a sales and marketing office in Hatfield near London, but the Welsh unit will be its first manufacturing plant in the UK. The unit will be Halla's European base for making construction equipment in a 15,000 sq m factory to be built by the Welsh Development Agency.

The project, which is grant-aided by the Welsh Office, was secured after 12 months of negotiation including a mission to South Korea last September by Mr William Hague, chief minister for Wales, and Mr David Rowe-Beddoe, chairman of the development agency. In all, nine projects in different sectors, and destined for varying parts of Wales, are in the final stages of negotiation with the British government and the agency. Six are by non-UK companies.

The biggest single project is by QPL, the Hong Kong electronics group. Negotiations have been taking place for several months for a microchip plant in South Wales which would create 750 jobs in an investment of about £500m. An announcement is expected by the end of this month.

QPL has two existing operations in south Wales. It bought Newport Wafer Fab in 1992 from SGS-Thomson, the Franco-Italian semiconductor company, and the following year QPL's subsidiary Asat announced it was investing £42m in a circuits plant.

Another probable deal in south Wales is a joint venture by two Japanese electronics companies which will create 100 jobs. A heavy manufacturing project in north Wales is also close to being finalised. Together with other projects, a total of almost 3,000 jobs could eventually be created throughout Wales. Wales, which for many years won a disproportionate share of inward investment into the UK, saw its share slip to 11.5 per cent in 1994-95 compared with 15.8 per cent in the previous year.

Last month, Mr Rowe-Beddoe said that if projects under discussion went ahead "according to schedule", then the WDA would exceed its inward investment target for this financial year of 10,000 new and safeguarded jobs. This compared with 7,316 jobs achieved in 1994-95, below the target of 9,700 jobs.

Manufacturers turn to temporary workers

By Peter Marsh in London

From shampoo to bicycles and from chocolates to computers, manufacturers are turning increasingly to temporary workers as part of their moves to more flexible working methods.

The number of temporary manufacturing workers has almost doubled in the past five years in proportion to the whole manufacturing workforce. This switch has been much more marked in manufacturing than in other sectors. Across the entire economy, temporary employees increased by 350,000, or 30.2 per cent, between 1990 and 1995 according to the Central Statistical Office.

Manpower, the US-owned employment services agency which specialises in hiring workers and contracting them out for industrial work, said it employed about 9,000 short-term workers doing industrial jobs in its client companies – more than four times the figure in the late 1980s. Temporary workers are often paid less than full-time staff and the employer usually does not contribute to pensions. The workers earn only when at work – which can reduce company overheads.

Many companies warn, however, that output is likely to suffer if pay rates and training are cut too much.

One of the workers employed by Manpower is Mr Gerard O'Reilly, who lives in London and has had about 10 mainly industrial jobs in the past two years. "In some ways the variation is good, though I would like more stability," he said.

At Design to Distribution (D2D), a manufacturing arm of ICL, the computer maker, total employment has grown to 2,500 in the past five years from 1,800. However, of the extra 700 new jobs, 500 are for temporary workers. Mr Alastair Kelly, managing director of D2D, said: "Partly because of the use of temporary workers we can be making products between a week and three months of receiving a design – compared with up to five years in 1990."

About 10 per cent of the more than 1,000 workers at Procter & Gamble's consumer products factory in Manchester are on temporary contracts, mainly of between one month and a year.

The flexibility helps the company to compete with suppliers outside Britain, said Mr Trevor Barber, the plant manager. "Having people on temporary contracts means we can respond to increased demand from around Europe much more quickly than in the past," he added. By hiring people on short-term contracts, production can be accelerated within a month compared with three times as long as for a comparable factory staffed completely by full-time workers. Overall, employment at the plant has increased by 50 per cent so far in the 1990s.

Employees in temporary work 1990-1995

	1990	1995	Change 90-95
Manufacturing*			
Temporary	120,000(2.4%†)	201,000(4.4%†)	+81,000(+67.5%)
Total	5.12m	4.53m	-590,000(-11.5%)
Other sectors*			
Temporary	1.04m(6%)	1.31m(7.6%)	+270,000(+26%)
Total	17.27m	17.14m	-130,000(-0.8%)
Whole economy			
Temporary	1.16m(5.2%)	1.51m(7%)	+350,000(+30.2%)
Total	22.39m	21.67m	-720,000(-3.2%)

Notes: † % figures in first 2 columns show proportion of temporary workers in total employment sector; in final column % figures refer to the change between 1990 and 1995. * relates to other sectors of economy, mainly services.
Annual figures are taken from the CSO Labour Force Survey, spring 1990 and 1995, with adjustments for statistical changes. Source: Central Statistical Office

Flexible working to fit in with fluctuations in demand is one of the "key reasons" why the Raleigh bicycle factory in the Midlands city of Nottingham is now profitable after heavy losses in the 1980s, said Mr Alan Finden-Crofts, the chief executive of Derby International, Raleigh's owner.

At the Nottingham plant between 250 and 350 temporary workers are employed alongside a "core" workforce of about 1,000. Use of temporary staff goes up just before Christmas when the factory has to turn out 30,000 bikes a week.

The strategy means the time taken for the company to build a bike has halved in the past five years to within six weeks of a customer order. As a result the company carries about half the stock it used to.

At Bendicks of Mayfair, a maker of upmarket chocolates owned by Storck, a German company, two-thirds of the demand comes in the Christmas season.

With a switch in employment policies over the past five years, the company now has 100 full-time staff at its factory at Winchester in southern England, 60 fewer than in 1990. But it also employs at least 100 short-term workers on temporary contracts, a figure that leaps to 300 just before Christmas. Mr Robert White, operations director for Bendicks, said that the change was a big factor in the doubling of plant output since 1990.

One of the biggest users of short-term workers in UK manufacturing is Xyratex, a maker of computer disc drives based in Havant on the south coast of England. The company employs about 2,000 people – with about half on contracts of between two months and a year.

Xyratex juggles employment numbers to match demand from its customers – mainly computer makers and other disc drive companies – which commonly require a 48 hour delivery time. "We would be unable to compete if we kept all our people on full-time contracts," said Mr Steve Barber, the manufacturing director.

At the Black & Decker factory in Spennymoor, northern England, the company has about 1,600 core workers producing power tools and garden products. The numbers are supplemented by 400 temporary staff early in the year.

A big ice cream factory at Gloucester in western England takes on seasonal workers depending on fluctuations in temperatures – which can trigger sudden demand changes. The factory, run by Birds Eye Walls, part of Unilever, increased its short-term workforce to 150 last summer, up from a peak of about 100 in previous years.

Another reason for companies taking on temporary staff is economic uncertainty. At a fibreglass factory in Wigan in north-western England run by PPG, a big US industrial company, total employment is at 650 compared with 400 in 1992. But PPG has increased its use of temporary workers, which now number about 60. "There is a lot of uncertainty and we don't want take on full-time workers only to make them redundant later," said Mr Steve McKeown, human resources manager at the factory.

UK NEWS DIGEST

Lords attack British Council cuts

Government plans to cut spending on the British Council were denounced in the House of Lords, the upper house of parliament. Lord Redesdale, one of more than a dozen peers who spoke in defence of the agency that promotes British culture, said the cuts could mean the shedding of 500 jobs or nearly half the council's UK staff. Lord Redesdale is a member of the centrist Liberal Democrat party. While the government had promised to retain as many as possible of the council's offices in more than 100 countries, he believed that "short of a miracle, they cannot avoid closing some of their overseas missions". Lord Chesham, a deputy chief whip in the governing Conservative party, said the government recognised the value of the council's work, but no agency could expect to be exempt from budget stringency.

Lord Judd, a former director of the Oxfam aid agency, described as disproportionate a 28 per cent cut in the grant to the British Council by the Overseas Development Administration at a time when the general cut in ODA spending was 5 per cent.

Bruce Clark, Diplomatic Correspondent

ICI to expand output of film for packaging

ICI, the UK chemicals group, is to expand production at Dumfries, Scotland, of Melinex polyester film. The expansion will feed a European market for multi-coloured, metallised film packaging for food that has been growing at more than 8 per cent a year for the past decade. It will cost £60m ($91m), create 50 jobs and lift ICI's global Melinex capacity by 20,000 tonnes to about 125,000 tonnes.

The advantage of polyester film over its forerunners, such as the polypropylene film used for cigarette packets, is that it can be coated. This has provided a new material for phone cards, motor insulation and touch sensitive switches in electronic equipment.

ICI has built up sales of £850m in this market, £150m of which are in Europe, where the company has a market share of 22 per cent. Competitors include Hoechst of Germany, DuPont of the USA and Rhône Poulenc of France. ICI also has a 7,500 tonne Melinex plant in Japan, and a 50,000 tonne plant in Hopewell, USA.

Jenny Luesby, Industrial Staff

Amoco-led consortium to enlarge gas terminal

A consortium led by Amoco, the US oil company, is to spend £70m ($106m) on expanding the Cats natural gas terminal at Seal Sands in north-east England. About 300 construction jobs will be secured as a result of the expansion. The terminal is at the shore end of the 360km central area transmission system, a pipeline which collects gas and natural gas liquids from a number of North Sea fields. About a fifth of the UK total gas production will soon flow through Cats.

Robert Corzine, Industrial Staff

DuPont aims to open Scottish plant next year

DuPont, the US chemical company, plans to build a plant in Scotland to manufacture photomasks for use in making microchips. The 1,000 sq m plant will be at Hamilton near Glasgow and will initially employ 25 people, rising later to 80. It should open next year. The plant is intended to serve the many semiconductor makers with plants in the UK and Republic of Ireland. It will be the company's third photomask facility in Europe and may also serve customers in mainland Europe. The size of the investment has not been disclosed.

James Buxton, Edinburgh

Saudi dissident's delay request is rejected

Mr Mohammed al Massaari, the Saudi dissident who was ordered out of Britain last month, failed yesterday in an attempt to secure more time to prepare his appeal. The Immigration Appellate Authority at Wood Green in north London rejected a request for an extra month to prepare the case and confirmed that a full hearing would take place on February 22. Mr Massaari's lawyers had said more time was needed to ascertain whether the Caribbean island of Dominica, which has agreed to accept him, really could guarantee his safety from retaliation by the Saudi regime. The British government has accused Mr Massaari of abusing its hospitality by establishing an organisation which accuses the Saudi royal family of corruption.

FT Foreign Staff

Protester commemorated: More than 200 animal rights protesters gathered at Coventry airport in the English Midlands to commemorate Jill Phipps, who died a year ago after falling underneath a lorry carrying live calves. She died as a small group of protesters tried to stop trucks reaching the airport with live calves destined for shipment to mainland Europe. Export traders are regularly pursued by demonstrators who claim that the animals are treated cruelly after they leave Britain. "Jill would have continued opposing this trade throughout her life," her brother Zab said at yesterday's ceremony. "We all must and will continue the fight until it is finished."

Shoplifter barred: A thief was barred by a court from all stores owned by Tesco, one of the biggest chains in Britain. Mr Jim Heritage, unemployed since 1980, once stole 189 bottles of whisky and other spirits in several visits to the same Tesco store. Mr Heritage, who has been prosecuted a total of 40 times for stealing from various stores, said: "Boredom starts it off but then adrenalin keeps me going; adrenalin is the worst drug in the world."

Andrew Jack examines the ambitious ethics reforms of Lyonnaise des Eaux

Water music

It was with an eye on the past as much as on the future that the board of Lyonnaise des Eaux, the giant French utilities and construction group, resolved last spring to develop a wide-ranging package of corporate governance and ethics reforms.

During the remaining months of 1995, the directors moved swiftly to put in place one of the most ambitious sets of initiatives in any French company, and which make the group appear to stand out even among many of its more progressive Anglo-Saxon competitors.

Their efforts culminated with the unveiling this week of an international corporate image campaign to broadcast the ideas.

While playing up the significance of these enlightened intentions, however, Lyonnaise must also try to live down the embarrassments of its recent past.

Over the last year the group has been drawn into growing allegations about the links between politicians and business in France which were widespread in many companies during the 1980s. Some of these were highlighted during Lyonnaise's initially hostile bid for Northumbrian Water during 1995.

Under the shake-up, three new sub-committees of the main board have been created: one to discuss auditing and accounting; another to determine the compensation and nomination of executives; and a third to take charge of ethical policies.

It has appointed foreign, non-executive directors to its board; selected an executive director who is solely responsible for ethics matters; and produced ethics codes for both the parent company and its principal subsidiaries. Wrongdoers have been fired.

The directors have attempted to embrace a wider range of values, stressing duties not only to shareholders, but to employees, customers and to the community at large – particularly in environmental matters and in urban affairs.

Starting this year the group has pledged to publish full details of the remuneration – including stock options – payable to Jérôme Monod, the chairman. Information on other senior executives is likely to follow. It is also considering drawing up a formal charter laying out directors' responsibilities.

All these initiatives came ahead of – and went considerably further than – recommendations made this summer by a committee set up to examine corporate governance in France chaired by Marc Viénot, head of Société Générale, the banking group; and a report on stock options led by André Levy-Lang, chairman of Paribas.

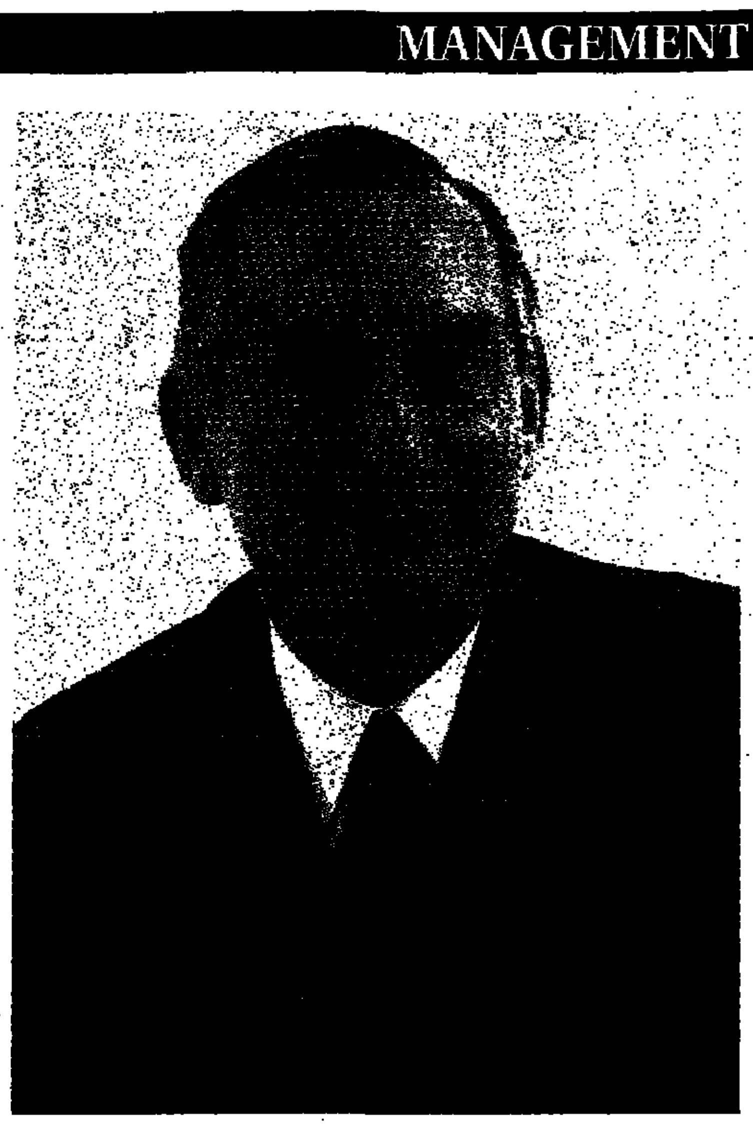
The Lyonnaise board also took the decision in November 1994 to ban all future contributions to political parties – two months before Edouard Balladur, the former prime minister, pushed through a law making such payments illegal for all companies.

René Coulomb, group director responsible for ethics, argues that the reforms were driven by both the internal management challenges of coping with the rapid expansion of Lyonnaise des Eaux, and the external pressures of customers and investors from abroad.

Some 43 per cent of turnover is now generated outside France, and 30 per cent of shareholders are foreign, mainly from Switzerland and Anglo-Saxon countries – where he says "people are much more serious" about governance and ethics issues than in most of continental Europe.

"We had to defend the values of the company in a group which is international, decentralised and in which power is delegated," he says. "We want the values of quality demonstrated by Japanese companies, and the mode of governance of US companies."

Yet while the group may be in the vanguard of the gathering corporate responsibility bandwagon in France, it will also have to work hard to escape from the shadow of corruption investigations touching its executives.



Jérôme Monod: the group has pledged to publish full details of his remuneration

In November, for instance, a court in Lyon fined Alain Carignon, the mayor of Grenoble, FFr400,000 (£52,000) and sentenced him to five years' imprisonment in relation to the city's award of the water contract to Lyonnaise des Eaux and a local partner in 1989. Prosecutors claimed he had accepted large sums of money, flights and use of a flat in Paris, ahead of the decision.

Others, including Jean-Jacques Prompsy, an executive for Lyonnaise at the time, were also found guilty by the Lyon judges, although the group rejects the charges against it and is appealing.

The Carignon case highlighted a broader tendency in France. Triggered partly by difficulties in financing the country's political parties, and boosted by the decentralisation of power to local officials during the 1980s, the award of public-sector contracts to companies offered considerable scope for unorthodox payments – often in the form of excessive fees paid to firms of consultants linked to politicians.

Today there are more checks and balances on decisions taken by local elected officials: a new-found aggression by judges; and laws outlawing political contributions by business and demanding transparency and fair competition in the award of public contracts.

The code of ethics for Lyonnaise des Eaux states explicitly that employees must never authorise illegal payments and always reject them if they are offered.

Meanwhile, the group has been fighting back, demanding a "right of response" in newspapers.

Lyonnaise is emphasising the more positive changes it has introduced to help mould its future conduct, notably its corporate governance reforms. The open question is how effective the new policies can be, whether its ethics codes can be implemented and effectively monitored. Coulomb points to training courses for staff, the role of internal auditors and ethics officers in each subsidiary to examine compliance, and the threats of disciplinary action against those who fail to respect the rules.

He also highlights at least one recent instance in which a Lyonnaise subsidiary failed to win a contract awarded by a local authority because it refused – unlike a competitor – to provide a contribution to a "consultant".

Technologists in the boardroom

Old-style CEOs may not be equipped to deal with today's high-tech issues, says Tony Jackson

Are technologists taking over America's boardrooms? If not, some say, they certainly ought to. With the information revolution in full swing, companies are having to place ever bigger bets on where technology goes next. Is the old-style chief executive – trained in finance, marketing or the law – equipped to understand the choices?

Not according to Alan Merten, dean of Cornell University's business school. Technological issues, he argues, are increasingly cropping up at the highest level of corporate strategy. It takes a certain kind of background to handle them.

This applies not only to high-tech industries as conventionally defined. A financial services company may need to understand how to carry out its transactions securely over the Internet. If it backs the wrong technology, it might never get back into the market. In such cases, Merten says, the boss must be able to ask informed questions before making the decision.

Granted, the professor is an interested party. He has just introduced a shortened MBA course aimed at technologists, whom he defines as PhDs in any scientific discipline, from biology to mathematics. He has a PhD in computer science.

The point about technologists as managers, Merten argues, is that they have been trained both in quantitative techniques – maths and statistics – and in what he calls modelling skills. That is, they are used to abstracting the essential elements of a problem and solving it in a disciplined way. Non-technologists find ways of avoiding technological issues. Technologists are predisposed to embrace them.

On the other hand, he concedes, not all technologists are managers. Too many suffer from what he terms the nerd factor; they chose science in the first place as a means of avoiding people. In vetting candidates for the technologists' MBA, he and his colleagues have to put particular stress on face-to-face interviews.

And, he further concedes, the rise of the technologist boss is hard to quantify; if only because it is just starting to happen. As evidence of the trend, he proffers a survey of senior managers at Fortune 1000 companies.

Two thirds of those interviewed agreed their companies would be more competitive if more of their senior managers were technologically literate. A similar number agreed the cultural divide between technologists and the rest, such as sales and marketing staff, was a significant problem for their company.

The snag is that in today's climate, it would take a decided contrarian to say anything else. Executives are bound to agree that technology is a good thing: the question is what they do about it.

There is no longer the time for a technology to mature within an organisation, so that the laymen on the board can feel comfortable with it before putting it into effect

According to an alternative source, not much. A partner at a big New York firm of headhunters, while intrigued by Merten's thesis, sees little sign of it in practice. When his company is asked to find a CEO, the client's chief criteria are still the conventional ones: basic managerial competence and leadership.

Granted, there is an increasing requirement for people with a proven background in handling technological change. Even then, he says, the main requirement is more often marketing or finance.

If one looks to the big corporations, the evidence is mixed. Some eminent US managers have been technologists all along: Jack Welch, chairman of General Electric, has a PhD in chemical engineering.

Again, some corporations have recently appointed technologists as bosses, with striking effect. Kodak's recent change of strategic direction, with its greater emphasis on the esoteric world of digital imaging, is the work of George Fisher, a PhD in applied mathematics brought in two years ago from Motorola.

There is plenty of evidence the other way. The dominant set of technologies affecting business today, Merten argues, are those involving communication and information: that is, telecommunications and computers. Those industries are themselves subject to particularly convulsive change.

The chairman of the biggest US phone company, AT&T, has a degree in political science and economics. The man just chosen as his number two is also an economics graduate. The biggest computer company, IBM, chose as its chairman two years ago a marketing man whose business background consisted of selling biscuits and cigarettes.

But if the thesis can be shot down in detail, it is not necessarily wrong. Two dominant trends in contemporary business are the shortening of product life cycles and the non-proprietary nature of technology. There is no longer the time for a technology to mature within an organisation, so that the laymen on the board can feel comfortable with it before putting it into effect.

When the Anglo-Dutch consumer company Unilever put a powerful new detergent on the European market 18 months ago, it did so in a hurry to catch up with its US rival, Procter & Gamble. It did not fully appreciate that the new manganese-based catalyst which made the detergent so effective could also damage certain types of clothes.

Procter & Gamble duly noted the fact and publicised it, and the product was buried. Perhaps Unilever should have more PhD chemists on its board.

LEGAL NOTICES

No. 00348 of 1996

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
M.Y. HOLDINGS plc
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 19th January 1996 for the confirmation of the cancellation of the share premium account of the above named Company of £22,150,277.

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 14th day of February 1996.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 2nd day of February 1996

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

In the Matter of
BESSER NORTH PLC
and in the Matter of
The Insolvency Act and Rules 1986

In accordance with Rule 4.106, we, John William Powell and Michael Timothy Sewell of Levy Gee, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex BN11 1RY, give notice that on 18th January 1996, we were appointed Joint Liquidators by resolution of the members.

Notice is hereby given that the Joint Liquidators of the above named Company intend to make a first and final distribution to creditors. Creditors are required, on or before 29th February 1996, being the last date for proving, to send in their full christian and surnames and addresses of their Solicitors (if any), to the undersigned John William Powell and Michael Timothy Sewell of Levy Gee, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex BN11 1RY, the Joint Liquidators of the said Company, and, if so required by notice in writing from the said Joint Liquidators, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof, they will be excluded from the benefit of any distribution. A first and final dividend is intended to be declared and paid on 14 March 1996.
Dated this 22nd January 1996
John W Powell - M T Sewell

Insurance Companies Act 1982
Private Patients Plan Limited
Transfer of General Business

1. NOTICE IS HEREBY GIVEN that Private Patients Plan Limited applied to the Secretary of State for Trade and Industry on 1st February 1996 for his approval, pursuant to Part II of Schedule 2C to the Insurance Companies Act 1982, to transfer to PPP healthcare all of its rights and obligations under policies written by it in the United Kingdom on or before 31st January 1996 except policies where the risk is situated outside the United Kingdom.
2. Copies of the statement of particulars of the proposed transfer are available for inspection at any of the following locations until 4th March 1996 from Mondays to Fridays between the hours of 9.00 am and 5.00pm:

Tunbridge Wells
Private Patients Plan Limited
(PPP healthcare)
PPP house
Vale Road
Tunbridge Wells TN1 1BJ

London
Private Patients Plan Limited
(PPP healthcare)
Tavistock House South
Tavistock Square
London WC1H 9LJ

Leeds
Private Patients Plan Limited
(PPP healthcare)
11 Belgrave Street
Leeds
West Yorkshire LS2 8DD

Glasgow
Private Patients Plan Limited
(PPP healthcare)
10 Claremont Terrace
Glasgow
Scotland G3 7XR

Written representations in relation to the proposed transfer may be sent to the Department of Trade and Industry's Insurance Division at 1 Victoria Street, London, SW1H 0ET before 2nd April 1996. The Secretary of State for Trade and Industry will not make his decision as to whether to approve the transfer until after considering any representations made to him before that date.

ARTS

Musical/**Alastair Macaulay**

Cheap and cheerless

At one point in Act Two of the new musical *The Fields of Ambrosia*, the hero Jonas bumps into his wimpish chum Jimmy, who is looking sore and lachrymose, and asks him what's the matter. Jimmy replies, of course, by singing, and his opening words are "If it ain't one thing, it's another."

As it happens, we know why Jimmy is upset. He has just been the victim of homosexual rape at knifepoint by two vicious prisoners in Jonas's truck. "If it ain't one thing, it's another" is, you may well think, an almost commendably stoic response to this presumably traumatic experience. But no. Jimmy is actually reacting to his entire life! Here comes the rhyme: "... I was just ten when I lost my mother."

At this point, I confess that my concentration broke for a little while. As soon as I could bring myself to attend again to poor Jimmy, he was singing "They never once held me, or called me their own, alone". I have a horrible feeling he may have been referring to the gents who raped him. Anyway, Jimmy's point is that everyone has always been rotten to him. He is a real sob-sister. "Alone! Alone!" he sings, and the strings come in and the percussion helps him to pump up a climax, reaching a high A: "Alone!"

Now, this claim to loneliness is ungrateful of Jimmy – for in Act One we saw Jonas treat him to a lively if gruesome session in what I hope was the worst little whorehouse in Texas (or Mississippi, or Louisiana, or wherever they were). It is true that Jimmy did not enjoy himself there, but nobody can say one whore didn't try to rectify that situation.

Anyway, Jonas is not the kind of guy to hold a grudge. He offers Jimmy a job as his assistant. Assistant to the one and only travelling executioner in the state! Jimmy cannot believe his luck – though within moments he is negotiating to have his name painted on the truck. You and I might not wish to have our names painted on the truck where we had been raped by two knife-wielding prisoners of our own gender; but then you and I are not characters in *The Fields of Ambrosia*.

Since this show – which comes to the West End from a triumphant run in New Jersey – is a rock musical, you will hardly be surprised to hear that it is terrible. Truly it presents itself like a sitting duck waiting to be shot at; but one hardly wants to blame this particular show – one wants to blame the genre. Excellence in rock musicals is rare to the point of being inappropriate. Banality is the norm: banality of rhythm, rhyme, feeling, characterisation, story.

The real key, of course, is rhythm. Musicals were essentially a creation of the jazz age. They drew from ragtime, from operetta, from vaudeville; but it was jazz, and then swing, that made the form take wing with Irving Berlin, the Gershwins, and others. Syncopation, and rhythmic surprise, produced a witty and fresh expression of the human spirit. The monolithic nature of the rock beat does the opposite: it confers predictability and staleness upon its characters. The rock in *The Fields of Ambrosia* is especially stale; and yet the music is by no means the worst thing about it. This show is (1) silly, (2) dull, (3) cheap-minded.

1. *Silly*. Jonas Candide is a travelling executioner, in the early years of this century. The truck that proves so fateful for poor Jimmy contains Jonas's very own electric chair. As a *noir* idea, this is no worse than, say, Sweeney Todd. But Jonas is an unamusing con-man who makes one blunder after another, until he ends up in his own electric chair. One of his ghastlier blunders is the title song, which he delivers to his victims, inviting them to look forward to heaven after death: "The fields of Ambrosia/ Where everyone knows ya." Needless to say, he leads the whole company in a surging reprise of this ludicrous number as he sits strapped in and waiting for the electric blast. The voice of his dead jailbird girlfriend Gretchen, whom he shot by accident when she was encouraging him to shoot his friend the prison guard, is heard adding a soprano descant line to this ensemble.

2. *Dull*. Lest any connoisseurs of kitsch hope that *The Fields of Ambrosia* might be worthy of cult attention, I hasten to assure them that most of it is exceptionally boring. It is all-sung, and virtually every section gets locked into a rhythmic and melodic straitjacket. The rhymes are often desperate and inept. Each song sounds like something you forgot the moment you heard it on the car radio five years ago. The use of the revolving stage almost makes me miss *Les Mis*.

3. *Cheap-minded*. This show is the brainchild of Martin Sylvestri, who wrote the music, and Joel Higgins, who not only wrote its book and lyrics but also plays Jonas. They adapted it from a 1970 Hollywood film version of the tale of Jimmy Thompson, who really was the sole travelling executioner in the state of Mississippi, early in this century. In their version, there is not one large-spirited or decent character or moment.

It tries one cynical ploy after another. The whorehouse scene; the randy prisoners' scene; the scene in which the prisoners are brutally beaten by their guards at the command of their cynical warden while Jonas and Gretchen are bonking in her cell upstairs (she rears up at a moment of arousal to hit a high B); and so on. In another homo moment, the most sinister of the guards – who has just tried first to rape Gretchen and then to hang her – calls to one of the male prisoners to come up and join him on the scaffold beside the noose: we are left to imagine what they will get up to.

At every moment, *The Fields of Ambrosia* tries to titillate you with the sins it also tries to condemn. Perhaps fortunately, it is too maladroit to succeed.

Aldwych Theatre, London WC2 (0171-379 3367).

Alastair Muir

Sitting duck: Christine Andreas as Gretchen in 'The Fields of Ambrosia'

Sponsorship/**Antony Thorncroft**

Shake up for pairing scheme

All heritage ministers wax lyrical about arts sponsorship, and the latest incumbent, Virginia Bottomley, has been keen to express her admiration of this source of funding for the arts, which has grown from under £1m to over £80m a year in two decades.

But Bottomley has been forced to turn admiration into action. In the Budget she cut the government finance for the pairing scheme – the subsidised sprat to catch the corporate mackerel – from £5.5m to £5m for 1996-97, to the dismay of the Association for Business Sponsorship of the Arts, which runs the scheme.

This week Bottomley made amends. She has given the pairing scheme a radical shake up, which should encourage more business sponsors to commit themselves to helping arts companies for longer. The maximum award under the scheme is up from £35,000 to £75,000, and any new sponsor who commits for three years, or encourages access to the arts, can see its contribution doubled every year.

The aim is to stamp out short-termism: sponsors toying with arts companies. But perhaps the most significant change is the scrapping of limits on the number of sponsorships an arts company can submit to the pairing scheme. It was pegged to four a year, which meant that big players, like the Royal Academy, might turn down an approach from a small sponsor in the hope of attracting a bigger supporter and securing a larger grant under the pairing scheme. Now there is no limit to the number of awards an arts company can receive.

★

Next week sees the start of the most ambitious art exhibition in the UK this year, *Cézanne* at the Tate Gallery. A record 22,000 tickets have already been sold and the merchandising spin-offs extend far beyond the vases, scarves, tea towels and CD ROMs in the Tate Gallery shop, to a "Cézannewich" on offer at the London branches of Prêt a Manger and a specially bottled "Cuvée Cézanne at the Tate" wine.

The most interested outsider in this art spectacle is Ernst & Young. The partnership of consultants is sponsoring the show, and all told the venture will cost it over £1m. Only around half this sum goes to underwrite the extra administrative costs of the Tate. Ernst & Young's main expenditure will be on entertainment and promotion.

It will host over 40 dinners and receptions at the exhibition, entertaining around 7,000 clients and prospective clients. It will provide free tickets for its staff and advertise the show and its connection with it.

This is not a speculative venture. Two years ago Ernst & Young surprised itself by spending almost as much on sponsoring the Picasso exhibition at the Tate. It was very happy with the good-will it generated and the push it gave to its brand image. It is confident that the link brought it extra business from new clients. Ernst & Young is already talking about its next major sponsorship.

★

The theatre is all the rage among sponsors this month. Mercury Communications has come to the rescue of the Donmar Warehouse, contributing £450,000 over three years, while AT & T is backing new plays, and Guinness has scored a hit with its cultivation of pub theatre.

The Donmar faced closure in March at the end of Carlton TV's three year, £315,000, backing. The theatre is so small it cannot survive on box-office income alone. Mercury will, in effect, bridge the revenue gap. The good news for the Donmar is that this substantial support comes on top of a one-off £150,000 grant from the Arts Council – and a decision by Carlton to maintain contact, sponsoring a New Writing Season every March. Best news of all is that financial security means that director Sam Mendes is likely to remain in post for the next three years.

AT & T is an American company that backs the arts through a foundation, which was financed by the sale of its Broadway HQ. The company is in the process of splitting itself into three autonomous companies, but the foundation, worth $25m, will be shared out among the offspring. Its major operation, set to continue, is New Stages, through which new plays are helped into production.

It is an international scheme but this year three British theatres have benefited, by a collective $165,000. This has enabled the RSC to put on Naomi Wallace's *Slaughter City*; the National, David Lan's *The Ends of the Earth*; and the Almeida, Craig Raine's *1953*.

AT & T goes in for philanthropic sponsoring: the link between new plays and new technology is obvious but the impulse is basically charitable, rare in these days of hard-headed marketing men.

For Guinness, backing pub-theatre puts audiences directly into contact with its product. Its "Ingenuity" Awards for London Pub Theatre attracted 42 entries with ideas for new productions. The judges were so impressed that they handed over seven £10,000 prizes instead of the anticipated five. Next year Guinness will make the competition nation-wide.

★

Sponsors are attempting to extend their support for classical music beyond the routine subsidising of concerts. Amerada Hess, a long time supporter of Sinfonia 21, has commissioned a new work from Jonathan Harvey which the chamber orchestra will perform at St John's Smith Square on February 8. The commission, with extra rehearsal time, will cost it around £7,000.

Meanwhile Générale des Eaux has sponsored the CD by the London Mozart Players which is attached to this month's issue of BBC Music Magazine. It is quite a coup to get the magazine to accept non-BBC, or Prom, performances for its cover CD but the French utilities company put £15,000 towards the recording costs, and, apart from Mozart, the CD includes the first current recording of Friedrich Witt's "Jena Symphony".

Recital/**John Allison**

Lieder gets swamped

The baritone Thomas Quasthoff, already an established Lieder and oratorio singer on the continent, made his London debut on Wednesday in a packed Wigmore Hall. He sang Schubert, Strauss and Wolf, bringing an intensity to the poetry with the natural ease of a native German speaker; but, perhaps because he and his pianist, Charles Spencer, appeared to be two musicians each giving their own performances, this was not Lieder singing of the order one had anticipated.

Quasthoff's voice is not especially beautiful – the tone is a little grey and unvarying – but it has a soft-grained quality well suited to Lieder and a lower register of striking resonance. He projects it with a well-defined crispness that in *forte* passages takes on an almost sculpted edge. What he does with the voice is more interesting, as his opening series of Goethe settings proved when he followed Schubert right into the pantheism of "Ganymed", the intellectual mysteries of "Grenzen der Menschheit" and the fierce majesty of "Prometheus".

The remaining Schubert songs were less consistent. Quasthoff caught the gloom of "Der Zwerg" and – in one of the evening's best performances – the desolation of "Der Wanderer". He also evoked the stillness of "Nacht und Träume" in long-spun lines and some of the impatience of "Der Musensohn". But he summoned up none of the chill that should send a shudder through the listener in "Erlkönig". Spencer's heavy-handed accompaniment here was little help, and his mannered rubatos in "Die Forelle" were a distracting intrusion; indeed, the erratic progress of the trout was of such zoological curiosity that one forgot about the vocal line.

Hope that matters would improve after interval was immediately dispelled by Spencer's deliberate playing in "Zueignung". Of the other three Strauss songs, "Morgen" was a particular disappointment, with very slow tempos destroying the poem's confident longing. Three of Wolf's Mörike settings brought no respite: "Gebet" sounded like a dirge, and neither artist conveyed the pleading of "Der Genesene an die Hoffnung" or the comedy at the end of "Storchenbotschaft" where the music breaks into a quirky waltz. One looks forward to hearing Quasthoff again under better conditions – but still at the Wigmore Hall, which occupies an even more special place in London's musical life now that its programmes are the first to carry a notice banning mobile phones.

Jazz/**Garry Booth**

Mike Gibbs goes classical

Try to locate Mike Gibbs' area of music and you find yourself in the "third stream": neither classical nor jazz. The man is as hard to pin down as his music. He grew up in pre-independence Zimbabwe, studied jazz at the Berklee School of Music, diverted into classical music at the Boston Conservatory and studied alongside Aaron Copland and Iannis Xenakis at Tanglewood. Then he moved to England and became a key mover in the European jazz scene.

Since those early days, he and his music have been pulled back and forth across the Atlantic by projects which variously incorporate rock, folk and symphonic work using jazz instrumentation and musicians. Gibbs' last recording, for example, had him conducting the Hannover Radio Philharmonic, plus jazz soloists, on a tour of European folk songs.

This outing, courtesy of the Arts Council's Contemporary Music Network, sees Gibbs in front of the UK's Creative Jazz Orchestra, performing his re-arrangements of works by young British composer Mark-Anthony Turnage and the late US modernist, Charles Ives. And they all suit one another.

In Ives, Gibbs finds a natural sympathy for music which incorporates perplexing mood swings and crazed references. At the South Bank on Wednesday the CJO tore into "Barn Dance" like a circus band – before braking gently to a New Orleans slow drag which featured a ghostly clarinet calling from the middle distance. "Evening", a robust nocturne, surged darkly: the lower brass brooding, Mike Walker's electric guitar solo heading into metal territory.

Turnage's work draws heavily on jazz influences, from the airy structures of Gil Evans to the fevered drama of Mingus. By stripping away the strings, inserting spaces for improvisation, but remaining more or less faithful to the charts, Gibbs has produced an exciting new take on Turnage's best known works. His orchestration of "Her Anxiety", with its bright brass textures and repeated motif, was supercharged with nervous energy. In "Release" Gibbs used Turnage's stalking horn arrangement as a setting for keening soprano and alto sax improvisation. By contrast, "Sarabande" unfolded as a poignant duet between soprano (Andy Schofield) and piano (Nikki Iles), punctuated by each pinging a small bell.

Invigorating and full of surprises, Gibbs' taste and gift for bold arrangement shows that hard-to-classify music need not be hard to enjoy.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Pieter Wispelwey: the cellist performs cello suites by J.S. Bach; 2.15pm; Feb 4

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Concerto Köln: and viola-player Antje Sabinski perform works by W.A. Mozart, Mendelssohn, Zelter and L. Mozart; 7.30pm; *Feb 6*
DANCE
Komische Oper Tel: 49-30-202600
● Requiem!!: a choreography by Birgit Scherzer to music by Mozart, performed by the Ballett Komische Oper. Soloists include Jutta Deutschland and Thomas Vollmer; 8pm; Feb 7

■ BOSTON

CONCERT
New England Conservatory - Jordan Hall Tel: 1-617-262-1120
● NEC Philharmonic: with conductors *Richard Hoenich and* Mei-Ann Chen, and soloist Jung-Mi Kim perform De Falla's El Sombrero de Tres *Picos* and *Sibelius' Violin* Concerto; 8pm; Feb 7

■ CHICAGO

THEATRE
Shubert Theater
Tel: 1-312-977-1700
● A *Midsummer* Night's Dream: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The 19-member cast will be led by Desmond Barrit as Nick Bottom, Lindsay Duncan as Hippolyta/ Titania, and Alex Jennings as Theseus/Oberon; Tue - *Thu 7.30pm*, Fri, Sat 8pm, Sun Feb 11: 7pm, Sun Feb 18: 3pm, Feb 8, 10, 11, 14, 17 also 2pm; from Feb 7 to Feb 18 (not Mon)

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: *49-221-2040820*
● Deutsche Kammerphilharmonie Bremen: with conductor Thomas Hengelbrock and oboist *Rodrigo* Blumenstock perform works by *Mozart, Chen* and R. Schumann; 8pm; Feb 4

■ COPENHAGEN

OPERA
Det Kongelige Teater
Tel: 45-33 14 10 02
● Saul and *David*: by Nielsen. Conducted by Poul Joergensen and *performed* by the Royal Danish Opera. Soloists include Aage Haugland, Kurt Westi, Poul Elming, *Anne Mari Heimdal* (Feb 4, 9) and Majken Bjerno (Feb 6); 8pm; Feb 4 (3pm), 6, 9

■ FRANKFURT

CONCERT
Jahrhunderthalle Hoechst
Tel: 49-69-3601240
● Orchestre National du Capitole de Toulouse: with conductor Michel Plasson and viola-player Yuri Bashmet perform Berlioz's Harold en Italie and Mendelssohn's Symphony No.4; 8pm; *Feb 5*

■ HANOVER

THEATRE
Niedersächsisches Schauspielhaus Tel: 49-511-321133
● Mordslust: by Wilfried Happel. *Directed by Jochen Fölster and* performed by the Niedersächsische Staatstheater Hanover. The cast includes Sibylle Brunner, Caroline Nagel, Verena Reichhardt, Ingolf *Müller Beck, Alfred Eich, Markus* Graf and Otto Schnelling; 8pm; Feb 3

■ HUMLEBAEK

EXHIBITION
Louisiana Museum of Modern Art
Tel: 45-42 19 07 19
● Design and Identity - Aspects of European Design: this exhibition, the Louisiana's first contribution to the Cultural Capital 96-project in Copenhagen, aims to examine whether there is a special cultural identity within European design. Alessandro Mendini (Italy), Ron Arad (England), Roger Tallon (France), Volker Albus and Ingo Maurer (Germany) will, among others, participate in the exhibition; from Feb 9 to Apr 28

■ LAUSANNE

CONCERT
Salle du Métropole
Tel: 41-21-3122707
● Orchestre de Chambre de Lausanne: with conductor Maximiano Valdès and violinist Yumino Toyoda perform works by Arriaga, Mozart, Schubert and Turina; 11.15am; Feb 4

■ LONDON

AUCTION
Christies South Kensington
Tel: 44-171-5817611
● Valentines: annual sale devoted to the festivities of Saint Valentine. *Highlights include pop-up cards* from the 1920's and an early 19th century handmade card; 2pm; Feb 7
CONCERT
St John's, Smith Square
Tel: 44-171-2221061
● György Pauk, Peter Frankl and Ralph Kirshbaum: performance by the violinist, pianist and cellist, including Mozart's Piano Trio in C *major KV548; 1pm*; Feb 5

■ LOS ANGELES

EXHIBITION
MOCA at California Plaza
Tel: 1-213-621-2766
● Franklin D. Israel: exhibition presenting the work of this Los Angeles architect. Israel has created an architecture itself within the museum that constitutes a framework for the presentation of selected design projects and images of his work; from Feb 4 to May 26

■ LUXEMBOURG

CONCERT
Théâtre Municipal *Tel: 352-470895*
● Royal Philharmonic Orchestra: with conductor Dirk Joeres perform Gade's Overture Op.1, R. Schumann's Symphony No.2 and Brahms' Symphony No.4; 8pm; Feb 4

■ MILAN

OPERA
Teatro alla Scala di Milano
Tel: 39-2-72003744
● The Gambler: by Prokofiev. Conducted by Valery Gergiev and performed by the Opera Teatro alla *Scala. Soloists include Sergej* Alexaskin, Vladimir Galouzine, Ljuba Kazarnovskaja and Mariana Tarassova; 8pm; Feb 6, 8

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Orchestre National du Capitole de Toulouse: with conductor Michel Plasson and viola-player Yuri Bashmet perform works by Berlioz and Dvorák; 8pm; Feb 4

■ NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● Lilly Reich - Designer and Architect: the first exhibition devoted to this modernist German designer of the 1920s and 1930s; from Feb 8 to May 7
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Turandot: by Puccini. Conducted by Nello Santi and performed by the *Metropolitan Opera. Soloists include* Ruth Falcon, Angela Gheorghiu, Michael Sylvester and Hao Jiang Tian; *8pm*; Feb 5, 9

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre des Concerts Lamoureux: with conductor Avi *Ostrowsky* and cellist *Lluis Claret* perform R. Strauss' Don Quixote and excerpts from Wagner's operas Lohengrin and Siegfried; 5.45pm; Feb 4

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Jean Guillou: the organist performs works by Liszt, Mussorgsky and Guillou; 11am; Feb 4

■ WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● The Art of Louis-Léopold Boilly: Modern Life in Napoleonic France: exhibition devoted to Louis-Léopold *Boilly (1761-1845)*, the leading genre painter and one of the most prolific portraitists in France during the revolutionary and Napoleonic periods; from Feb 4 to Apr 28

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Financial Times Business Tonight

COMMENT & ANALYSIS

Philip Stephens

Seductive words

Tony Blair's vision of constitutional reform is long on principle and short on detail. It is time he made a serious commitment to change

An overhaul of Britain's creaking constitution is the most radical promise of Tony Blair's Labour party. It is the route by which a Blair-led government might transform the condition of society and politics. It comes, seductively, without a public spending price tag. Yet constitutional reform is also the least prepared and, ultimately, the most dangerous of his projects. Its potential to capture the imagination of the electorate is matched only by its capacity to wreck the wider ambitions of its sponsor.

Mr Blair is less than modest in his claims for Labour's prospectus. Listen to his words during his first conference speech as leader in October 1994. "We have to change the rules of government and we will. We are putting forward the biggest programme of change to democracy ever proposed by a political party." Then more recently: "We must reinvent government to reform Britain. Political renewal is an essential part of the economic and social renewal we all seek." Bold words.

The policy pledges too are there. Labour would establish a parliament in Scotland and an assembly in Wales. It would respond to genuine pressure for regional government in England and, as a starting point, re-establish a strategic authority for London. It would reinvigorate local government (though just how is rather vague). It would incorporate into British law the European Convention on Human Rights. It would rid the House of Lords of hereditary peers. It would promulgate a Freedom of Information Act. Finally, it would offer a referendum on the voting system for the House of Commons. Big promises.

But the words and the promises lack a certain conviction. For many in Mr Blair's party, constitutional reform is at best an afterthought, at worst a distraction from the important business of wielding power. Thus for one senior colleague, the pledges serve no purpose other than to appease the Scots and to win some points among the liberal intelligentsia. An incoming Labour government, this enlightened politician explained, should simply ram any constitutional legislation through parliament in its first year and then turn its mind to the real world.

Mr Blair cannot escape blame for such depressing ignorance of the purpose of constitutional change. Leafing through the dozens of speeches he has made during the past 18 months, I could find only one devoted exclusively to the sad health of British democracy. It was given in July 1994, before he became leader.

Since then entire forests have been cut down to explain Mr Blair's new economics and his commitment to high standards in education. But not a single sapling has been sacrificed to a careful exposition of the detail, as opposed to the principle, of his plan to tamper with Britain's unwritten constitution.

His reticence is explicable. History tells us that any move to alter the balance of political power is a hazardous enterprise. From Gladstone's struggle over Irish home rule to the battles over reform of the House of Lords and Scottish and Welsh devolution in the 1960s and 1970s, governments have foundered in the attempt.

> For many in Mr Blair's party, constitutional reform is at best an afterthought, at worst a distraction from the important business of wielding power

The forces for the status quo range across the political divide. Confronted with Mr Blair's promise to disperse power from the centre of government, Whitehall's mandarins respond with a nod, a wink and a quiet assurance that, once in No 10, Mr Blair would soon drop "all that nonsense". Granted access to the closed world of power, he would realise it was not to be shared with the "ignorant multitude" who so troubled the Victorian constitutionalist Walter Bagehot.

Such arrogance, of course, speaks eloquently to the case for radical change. There is no need to dwell at great length here on the long process which has systematically undermined the rights and influence of the citizen. Suffice to say that power is more centralised in Britain than in any comparable advanced democracy. Parliamentary sovereignty, deemed by Bagehot to be the "efficient secret" of the constitution, has been replaced by executive despotism. Save when the judges intervene to cut down Michael Howard, the checks and balances taken for granted in other democratic societies are entirely absent.

Local government has been robbed of purpose and money. Between a fifth and a quarter of all public spending has been placed in the hands of the political placemen and women who run the new Quango State. True to the democratic centralist principles of the old Soviet Union, the quangos deny the citizen even the most basic rights of information, accountability and redress. Whitehall and its agents always know best.

This concentration of political power at the centre is as corrosive of good political decision-making as monopolistic commercial interests are of efficient markets. But the mandarins are right in the judgment that the successful dispersal of power will require a commitment far beyond anything Mr Blair has yet offered. Each change to the constitution promises an exhausting battle at Westminster. Together they could consume most of the legislative timetable for the first two or three years of a Labour government. Each proposal also throws up nasty political choices.

Take devolution. Labour's Scottish MPs will be obliged to admit at some stage that a parliament in Edinburgh must win the consent of the English. The price is almost certain to be a reduction in the number of Scottish MPs at Westminster. But Mr Blair has not dared even to whisper that possibility. Turn to the House of Lords. Labour is pledged to remove the voting rights of hereditary peers. A sensible first step. But of itself, it would do little more than turn the second chamber into the most prestigious quango of them all.

The potential mood for change stretches well beyond the Hampstead intellectuals so disparaged by defenders of the status quo. Witness the unprecedented popular cynicism about the capacity of politics to respond to the preoccupations of the electorate. But after 300 years, the present constitution is easily wrapped in the beguiling romanticism of the Union flag.

To be serious and successful Mr Blair must demonstrate an absolute, unbending, commitment to the process of reform. He must pull together a series of piecemeal changes into a coherent vision for a more open and democratic society. Above all, he must demonstrate that behind the rhetoric lies a credible plan for implementation –. one which will engage and win the consent of voters well beyond his own party. Mr Blair will return to the subject next week in a speech promoting political reform as pivotal to the creation of a "stakeholder society". Warm words will not do.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Essential to widen area of stability in Europe

From Mr Stephen Woodard.

Sir, Martin Wolf's attempts ("No clarity of purpose", January 30) to undermine the argument that peace, prosperity and power are the main reasons to support the European Union is deeply flawed.

In the late 1920s the countries of western Europe were enjoying increasing economic prosperity and their new political institutions seemed to have weathered the crises of the early 1920s. But in the wake of economic crisis exacerbated by a recourse to protectionist measures these democracies fell and war ultimately ensued. Because we take peace in western Europe for granted it is too easy to underestimate the contribution of the European Union. Its purpose is to ensure that reconciliation can endure within a stable political and economic framework based on the rule of law that is able to withstand economic shocks. It is essential that this area of stability be added to the wider Europe of the post-cold war world rather than abolished.

The contribution of the European Union to its peoples' prosperity is enormous. Without the strength of its common institutions it would be easy to imagine its member states' governments falling into the hands of various vested economic interests and resorting to protectionism leading to increasing poverty. The current institutions prevent this. They also enable action to be taken to address environmental and other problems. On the international stage we need to remember that, however desirable free trade may be, the reality is that international trade is managed, albeit through such bodies as the World Trade Organisation. To ensure that European companies can have increasing access to overseas markets, the commercial clout of the Union is invaluable.

The necessary development of the collective power of the EU's member states in international politics should not be dismissed. The idea that we in Europe can selfishly continue to expect the US to pay for our security and look after our interests in the post-cold war era is at best foolish and at worst dangerous. We must share the burden within Nato more fairly.

Across Europe opinion polls show that the public understands and supports the overall concept of unity. The European Union is not perfect and needs reform. But it is folly to suggest that a return to division and anarchy is preferable to building a wider, democratic European Union.

Stephen Woodard,
national director,
European Movement
– United Kingdom,
11 Tufton Street,
London SW1P 3QB, UK

Regulation must allow competition

From Mr Tony Young.

Sir, Emma Tucker is right to highlight the need for fair competition and effective regulation if the European telecommunications industry is to be liberalised ("Plug for a regulation standard", January 29). However, the British regulatory model cannot be seen as a paragon to be imitated slavishly in the other EU member states.

In recent weeks BT's share price has been as low as 341p compared to the 410p at which the government sold its remaining shares in 1993; Mercury and its owner, Cable and Wireless, are both undergoing a strategic crisis; and all three UK-listed cable operators are trading well below their issue price.

European regulators need to prevent the abuse of monopoly power, but BT is no longer a monopoly. Unless it is allowed to achieve a reasonable level of profitability, there will be little room in the market for competitors and a reluctance to invest in a high-risk marketplace.

Tony Young,
joint general secretary,
Communication Workers Union,
Greystoke House,
150 Brunswick Road,
London W5 1AW, UK

Extraordinarily indulgent German groom

From Mr Peter D. Huggins.

Sir, While the charming fairy tale about the German groom and French bride related by David Marsh (Letters, January 30) is amusing, it is fair neither to the German government not the Bundesbank, both of which have been extraordinarily indulgent about impediments to marriage.

In particular, they know that the would-be bride is depriving herself of a staple diet of cream buns in the hope of an early wedding. Understandably, they worry about the restraints which will be thrown off as the sound of wedding bells fades away.

Peter D. Huggins,
82 rue des Sablons,
78750 Mareil-Marly, France

Bickering over car ad is not an answer

From Mr Clive J. Antioch.

Sir, I'm writing about the European manufacturer cited in your report "Ford infuriates rivals with Japanese ads" (January 31) as having missed the joke.

He's missed more than the joke. People in Japan shy away from this sort of unseemly public bickering, which means our spokesman friend has done his employer a further disservice. There's another assumption that must be corrected. Ford was in Japan many years before European car companies ventured into this market. As a matter of fact, many early Japanese cars were modelled on Ford products.

What is possibly just another example of Euro-sour grapes could well backfire if this sort of petty carping is brought to the attention to Japan's Fair Trade Commission. If European car companies want to sell their products to buyers in Japan, they should learn to do as Japan has done.

Clive J. Antioch,
Dreve Arc en Ciel 21,
B-6700 Arlon, Belgium

Social democracy still cornerstone in Europe

From Mr Christopher Haskins.

Sir, No doubt if Joe Rogaly had been around in 1789 he would have been grumbling that Adam Smith had all the big ideas, and in 1945 would have considered William Beveridge a boring old buffer. I might have agreed with him.

But he is too cute and cynical to believe in the virtue of intellectual magic powders, whether from the left or the right ("Right still calls the tune", January 27/28). It seems to me that social democracy and the concept of the welfare state is still the cornerstone of all the European democracies, including the UK. The right, under Mrs Thatcher, tried to reverse this process, but on the really serious issues, like privatising the National Health Service, they had to back off. Despite the Conservatives' best endeavours, the state has continued to increase its tax revenues as a percentage of gross domestic product.

Although social democracy and the welfare state need to be reformed and modernised, they remain the big idea in town – a bit old-fashioned and dreary, but largely intact. It is the gadfly intellectual right, seeking to reverse the tide of history which is in trouble.

For rightwing excitement there is always Newt Gingrich, the born-agains, and the social violence of the US – all a bit too much for most Europeans.

Christopher Haskins,
chairman,
Northern Foods,
Beverley House,
St Stephens Square,
Hull, E Yorkshire, UK

Europa · Thomas Mayer

The key to lasting recovery

Structural reforms are necessary to ensure prolonged economic growth in Germany

The severe weakening of German economic activity towards the end of last year has finally triggered a policy response. The government has announced a programme to reverse the decline in business confidence by promising remedies for the most severe structural deficiencies hampering growth.

The Bundesbank seems to have been enlisted to back the government's efforts on the supply side by lowering official interest rates over time and working towards a depreciation of the D-Mark. Taken together, these measures may lay the ground for a recovery of business confidence and economic activity later this year.

However, the durability of the recovery will depend on successful implementation of the structural reforms. Should the government yield to political opposition, the likely upswing would be short-lived.

At the beginning of last year, the economy was hit by two unexpected shocks: wage growth accelerated sharply and the D-Mark jumped against the currencies of many of Germany's key trading partners.

The wage shock signalled that the dynamics of labour cost increases were unaltered, destroying the hope for lasting wage moderation by German unions created during the 1994 wage round. At the same time, the exchange rate appreciation signalled that rising costs could not be passed on to prices. The result was a collapse of profit expectations and business confidence in 1995, a drop of private investment in the third quarter, and a decline in economic activity towards the end of the year. The rising risk of the structural crisis dragging gross domestic product down in 1996 – which would make it virtually impossible to commence European monetary union in 1999 – has finally forced policymakers into action after a long period of procrastination. They now seem to be following a three-pronged strategy – structural reforms, lower interest rates and exchange rate devaluation. The government's programme for growth and employment – set out on Tuesday - addresses the business community's main concerns: high non-wage labour costs, high taxes and complex regulations.

Specifically, the government intends to continue the process of business tax reform and reduction in 1997 by eliminating taxes on the stock of capital and wealth; and by reducing other business taxes and the solidarity surcharge, which finances reunification costs.

The 1997 tax changes are to be followed by a more comprehensive income tax reform after 1998, envisaged to combine a general reduction in tax rates with a cutback in tax deductions. Moreover, the government intends to facilitate the creation of new venture capital funds and to increase those funds now administered by Kreditanstalt für Wiederaufbau, a public-sector bank. It also intends to provide incentives for the creation of new enterprises, for instance by exempting them from taxation for the first three years.

Social security spending is to be contained through a cut in early retirements, continuation of healthcare reform and a cut in unemployment benefits. For instance, unemployment compensation for more than a year is to be paid only to people aged 45 or older. The aim is to reduce social security contributions to less than 40 per cent of gross wages by 2000, and thus decrease non-wage labour costs. The government also intends to promote fixed-term contract employment and employment in private homes through greater flexibility of labour contracts and by granting tax incentives.

The government also wants to go ahead with further privatisation of businesses in which it has a stake, for example, Lufthansa, Telekom and airports. The remaining eastern German companies held by the successor of the Treuhandanstalt, the privatisation agency, are to be sold by the end of this year. Finally, the number of federal civil servants is to be reduced to the level before unification; and before the public sector offers any new service it will be scrutinised to see if it can be offered privately.

The measures, if successful, will contain production costs and strengthen growth in the medium term. However, to boost business confidence in the near term, additional measures are needed. Since the package was announced, the Bundesbank has cut the securities repurchase rate which guides short-term money market rates, raising hopes for another cut in the discount and Lombard rates. In addition, Bundesbank officials believe the D-Mark is fundamentally overvalued especially against the US dollar and Italian lira. A consensus seems to have emerged between the governments and central banks of the US and Germany in favour of a stronger dollar.

There is a good chance that the German authorities' strategy will succeed. A recovery of business confidence in the first quarter of this year could lay the ground for a pick-up of investment and GDP growth from the second quarter.

If all goes well, the economy could register 1.5 per cent real GDP growth in 1996 and move towards 2 per cent in 1997. This would probably be sufficient to limit further increase in the budget deficit in 1996, and to allow a reduction of the deficit towards the limit of 3 per cent of GDP set in Maastricht for 1997. But the key to lasting recovery is successful implementation of the structural reforms. Without comprehensive supply-side measures, monetary policy stimulus and exchange rate depreciation would simply induce a short-lived bounce of activity, followed by higher inflation.

The biggest political hurdle is probably the resistance of the federal states in the Bundesrat, the upper house of parliament, to the 1997 tax cuts, which will lose them revenue of DM16bn. The federal government may have to find ways to compensate the states for these losses, possibly through an increase in the rate of value added tax in 1997 – although the government denies it has any such plans. The coming months will show whether the government is serious about reform, or whether it will yield to opposition from the political parties who support big government, as it unfortunately has often done before.

The author is senior economist at Goldman Sachs' Frankfurt office, and a former economist at the International Monetary Fund

COMMENT & ANALYSIS

FINANCIAL TIMES
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Friday February 2 1996

Propping up Iberia – again

The best political compromise which could be struck, or an evasion of the European Union's ban on state subsidy? The European Commission's decision to allow the Spanish government to prop up the struggling national airline Iberia is both.

The conflicting pressures on Mr Neil Kinnock, transport commissioner, were great. On one side, Iberia needed fresh capital urgently to avoid bankruptcy. It had already received Pta120bn in 1992 on condition that it asked for no more support before the end of 1996. But losses on South American investments led it last year to ask for another Pta120bn.

EU legislation bars state aids except in a few, carefully defined circumstances. However, many of the 15 member states have fragile national airlines – Greece, Ireland, Belgium, Italy, France – and might oppose a tough interpretation of that principle. In the past, the unwritten rule has been that national airlines will be shielded from going bust.

The compromise Mr Kinnock reached, broached first in December, was that Spain could inject Pta87bn, (£459m), and a further Pta20bn next year if Iberia appears commercially viable. The airline, which aims to break even this year, must sell its South American investments and adhere strictly to a recovery plan, which includes cutting 3,500 jobs.

As a compromise struck in difficult circumstances, this is respectable. The move appears to mark a hardening of the Commission's stance since it allowed even more French state money, with fewer strings attached, to prop up Air France.

But that should not obscure the ruling's dubious basis. Mr Kinnock has said that Spain's rescue package does not count as state aid in the usual sense because it is covered by the "market investor principle". That clause permits state aid if the Commission believes that private investors might have acted in the same way.

In Iberia's case, this is doubtful. As Mr Juan Manuel Eguiagaray, Spain's industry minister, said in December: "If there had been a group of private investors, we would not have spent a year negotiating with the European Commission". Nor is it likely that any would emerge at this point, given the cost and controversy of the necessary redundancies. Moreover, even if Iberia returns to profit, it may still not earn a commercial return on its assets.

For those reasons, UK ministers are right to protest at the deal. The extreme flexibility of the state aids rules matters – and the issues will recur. Mr Kinnock may have had no choice but to accept the Iberia settlement. But he must now work out how to tighten the rules further before the next case comes up. Unless he does so, Europe's airlines will have no reason to cure their addiction to subsidies.

The mechanic

The Italian political conundrum becomes ever more confused. President Oscar Luigi Scalfaro's decision yesterday to name another non-elected technocrat, Mr Antonio Maccanico, to form a new government confirms the paucity of political alternatives, and the stalemate amongst elected representatives.

Mr Maccanico follows in the footsteps of Messrs Ciampi and Dini as the third technocrat to attempt the task of bringing coherence and discipline to Rome's government in just four years. Given the lack of consensus both within and between the loose coalitions of centre left and centre right, it is a daunting task.

The prime minister-designate comes with the reputation of the ultimate political fixer, a mandarin from the ranks of senior government servants, with a long record of successful backroom negotiations. As head of the prime minister's office in the Ciampi government, and before that twice head of the presidential office, he has proven experience of political deal-making and co-ordinating policy. As a former chairman of Mediobanca, Milan's most powerful merchant bank, he also brings to his job credibility in the business community. He will need all those skills in his new task.

His challenge is simultaneously to perform two functions. He must run a government committed to a tough political and economic agenda, including strict control of public spending (yet more cuts are urgently needed), enacting anti-trust laws, and pressing ahead with privatisation. He also needs to draft a new constitution to bring stability to Italy's political chaos. All this must be done while chairing the European Union and keeping the ship of state steady through the country's never-ending corruption scandals.

Mr Maccanico's greatest disadvantage is that he lacks electoral legitimacy. But the elected politicians can offer nothing better. Each alternative administration was blocked by one or other faction: there was a consensus neither for a broad coalition, nor for early elections.

His advantage is that he has been closely involved in planning for constitutional reform, which will be the most important task for the new administration. A vague consensus appears to have formed around what is described as a French presidential system for the country, adapted to Italian conditions. That sounds like a dangerous fudge: neither a strong presidential system, nor a strong parliamentary one. The worry is that the constitution will become just another political football between the splintered parties.

Inevitably, the new prime minister is already nicknamed Il Meccanico – the mechanic – for his skills of political fixing. But what Italy needs above all is clear guidance and a steady hand. He will need to be more than just a fixer.

University fees

University vice-chancellors today debate a proposal to levy a £300 admission charge on students, in effect ending the UK's system of free university education. If they care for the future of British higher education, they should agree to the charge and challenge the political parties to respond with a fair and workable scheme for recovering a progressively higher share of university costs from students.

The case for asking students to pay more towards the cost of their tuition is almost unanswerable. Conceived in an era of tiny university student numbers, the existing regime is increasingly untenable.

For universities it means ever-greater financial stringency as the government steadily reduces per capita funding. Yet ministers, facing tight public spending constraints and strong competing pressures from other education demands, notably nursery and primary education, are unlikely ever again to give vice-chancellors what they need to maintain a first-rate university system. It is only a question of who is going to be the first to ask students to pay.

Moreover, most students can afford to pay, provided the principle adopted for any large sums is one of post-graduation contributions based on income.

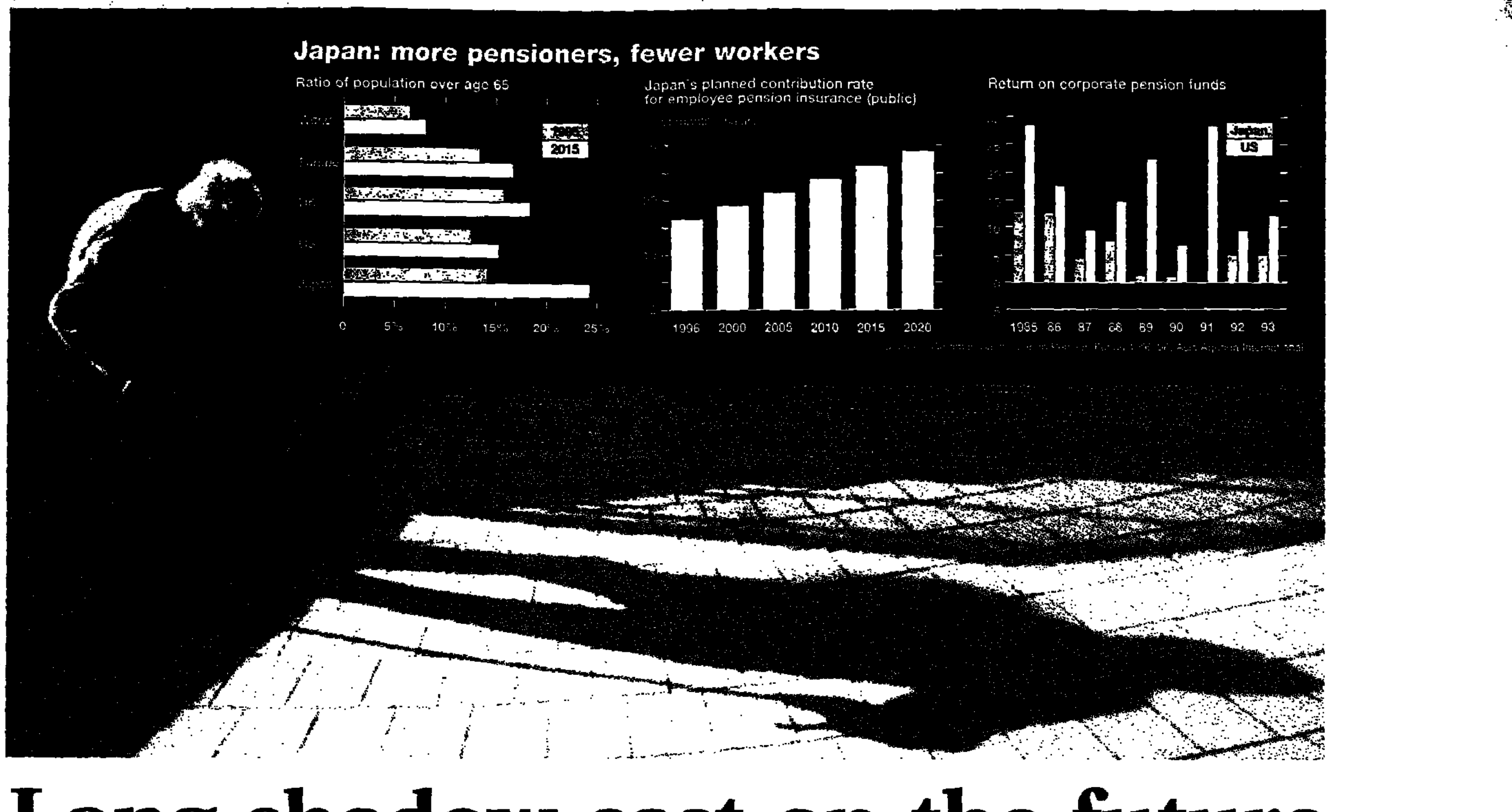
The vice-chancellors rightly say that today's proposal – which will add only £42m to universities' income – is only a first step. The next step ought to be a state loans system for tuition fees, with repayments taking the form of an addition to the rate of tax paid by graduates. If the action of the university chiefs produces such a system it will have been doubly worthwhile.

It is imperative for universities to broaden their sources of revenue. If they remain largely state dependent, quality will inevitably fall as academic salaries continue to dwindle and infrastructure fails to match the huge expansion of student numbers.

It is probably too much to expect the government to grasp the higher education nettle before the election. Yet privately many Tory and Labour politicians admit the need for reform on the lines suggested. It would be a lamentable failure of the political system if private consensus cannot be translated into public policy.

Perhaps the way forward is for a royal commission to be appointed now, with both parties indicating their broad intention to implement a scheme striking a fair balance between students, taxpayers, and universities. Royal commissions rarely succeed where there is no underlying will to act; but where the purpose is to defuse a political row which is in no-one's interests – unless this or a future government wants to damage Britain's university system – then they can be useful.

The vice-chancellors must not backtrack today. If they are not prepared to make themselves mildly unpopular with their students, they cannot expect vote-grubbing politicians to take similar risks on their behalf.



Long shadow cast on the future

Japan is not the only country in trouble over welfare costs, but curbs on pension funds exacerbate the problem, says Gerard Baker

While Japanese policymakers continue to deal with the fallout from the country's banking fiasco, another financial explosion is threatening, with potentially much more serious consequences. Like all leading economies, Japan must find ways soon to avert a crisis in how it pays for its pensioners.

The problem of an ageing population supported by decreasing numbers of young people in work is especially acute for Japan, but the authorities have also imposed restrictions on pension funds that have made their task harder still.

The country's pension arrangements are characteristically complex. In simplified form, they consist of three basic elements. All Japanese pay into a national pension scheme a flat rate of Y11,000 (about $100) per month. On top of that, employees and employers pay much larger, earnings-related sums into another state-run fund. Those contributions now come to 16.5 per cent of earnings, split evenly between worker and company.

But since those payments, on current estimates, will produce a pension of only about 45 per cent of final salary, a growing number of employees are also covered by corporate pension plans, with contributions from both employer and employee.

Together the various funds have a current value of more than Y190,000bn, three-quarters of it within the state schemes. The problem they all face is that they are now caught in a tightening vice between demographic change, which is diminishing contributions and increasing payouts, and weak investment returns, which are eroding the funds' capacity to meet liabilities.

The demographic problem is common to all maturing economies, but is most acute in Japan. Declining birth rates and increasing longevity mean that by 2020 the proportion of the population over the age of 65 will rise from the current 14 per cent to 25 per cent.

According to research by Goldman Sachs in Tokyo, pensioners now in their mid-60s will receive full pension benefits of Y56.3m over the rest of their lifetime, four times the value of the contributions made in their working life. Those in their mid-20s will pay Y40.6m for benefits of just Y44.2m. Those yet to start work will actually pay more in contributions than they get in pension.

One company that starkly illustrates the problem is the former Japan Railways, the national rail network broken up and privatised five years ago, with a pension fund that straddles the public and private sectors. Thirty years ago, 400,000 railway employees supported 160,000 pensioners. Now the tables are dramatically turned. About 200,000 employees must now pay for the pensions of 450,000 retired workers. Payments by employees have risen from below 6 per cent of earnings in the 1960s to 9.9 per cent today, and employer contributions have climbed at the same rate.

After five years of sluggish growth in pay, the weight seems much heavier. "When the economy was strong, the prospect of higher pension costs did not seem so worrying, but if growth remains as weak as it is, the burden will become intolerable," says Mr Shinobu Noguchi, of the JR Employees Mutual Aid Secretariat.

Japan's authorities have long been aware of the destructive potential of the demographic timebomb. To meet the extra costs they have steadily increased contributions paid by companies and workers into the earnings-related public sector funds. The combined employee/employer contribution is set to rise by 2.5 percentage points every five years until 2025, when it will be 29 per cent of earnings. The retirement age is also being raised gradually.

The authorities believe these measures should suffice. But that is only because they make some heroic assumptions about economic performance in the next few years. The actuarial analysis assumes nominal gross domestic product growth of 5 per cent per year, inflation of 2 per cent, 4 per cent annual salary increases and 5.5 per cent investment yields.

All the assumptions look optimistic, but none more so than the last. That unreasonable optimism points up the second fundamental problem for the pensions industry – chronically low investment returns.

Tokyo's taxi-drivers are testament to this singular aspect of the crisis. Their nest eggs are at risk because investment yields on assets in the Tokyo Taxi Companies Employees' Pension Fund have declined sharply over the last five years. In the late 1980s, with a rapidly rising stock market, the fund's managers did not have to work too hard to ensure a reasonable return, and it reached 9 per cent annually by the end of the decade. But by 1994, the yield had dropped to less than 1 per cent.

Government rules stipulate that private pension funds should achieve yields of 5.5 per cent per year. Nationwide in 1994 they reached just 3.2 per cent. "If the current trend continues," says Mr Masao Tamura, a certified pension actuary at Nomura Research Institute, "many pension funds will find it very difficult to meet their liabilities". Some have already gone bankrupt, facing the government with the possibility of yet another obligation to bail out financial institutions. The immediate cause of the poor returns is the weakness of the economy and the collapse in asset prices. Stock prices have fallen 50 per cent in the last five years, the yen's rise has reduced the value of overseas investments by roughly the same amount, and land prices have fallen even further.

But Mr Hideo Suzuki, managing director of the taxi drivers' fund, also points to problems in the way in which Japanese pension funds run their investments. "One of the reasons our fund returns were so low was because we were not sophisticated in our investment strategy. We entrusted all our money to one institution, and it cost us."

The most striking aspect of Japanese pension funds' performance is that even in the years of explosive growth in asset prices they achieved poor returns.

The Japan Pension Fund Association, the umbrella organisation for funds, points out returns have been consistently below the yields achieved by US pension funds. Between 1985 and 1993, Japanese funds yielded an annual average 11 percentage points lower than US funds.

What explains such poor performance? The main problem, according to the association, is the panoply of restrictions the government imposes. Most significant has been the near-closure of pension fund management to outsiders for all but the last few years.

Until 1990, Japan's pension funds were virtually the private reserve of the country's life insurers and trust banks. Foreign investment advisers were not permitted to manage private sector funds at all until 1990, when they were allowed into a limited part of the market.

Last year, the government agreed to open up a larger proportion of public and private-sector funds to foreign competition and there are already signs that the influx of hungry new managers may be helping to lift yields.

Last week, the Nempuku, the body that manages the bulk of the public sector's invested funds, warned life insurers that the guaranteed rate they now offer their investors – 2.5 per cent – was too low. It said it would take its funds elsewhere, mainly to domestic and overseas investment advisers. More institutions are likely to follow suit.

But even when they reach the market, newcomers face limitations on their activities. Strict rules dictate what investment funds can do with their money. At least 50 per cent of total assets, for example, must be in relatively safe investments such as cash and bonds. Equities and foreign currency denominated assets are each restricted to a 30 per cent share, and no more than 20 per cent can be invested in property.

Although the so-called 5-3-3-2 restriction might have helped save the funds from some of the committed by banks in the years of surging property and other asset prices, the restrictions are now clearly holding back growth.

In particular, in a low-interest rate environment the stipulation that at least half the funds must be in the form of bonds or cash makes it extremely difficult for investors to score returns large enough to meet their obligations.

Pension funds and investment trusts are pushing the government to ease the restrictions, so far with only limited success. With the memory of the excesses of the bubble economy burned into their minds the authorities are unlikely to do anything hasty that might encourage more risk-taking.

Only by improving the returns they make on their investments can Japan's pension funds hope to meet the biggest demographic challenge of any country in an ageing world without a serious financial crisis. But the current regime makes that task even harder.

OBSERVER

Currie takes the heat

■ Jim Currie, the man who put Sir Leon Brittan on the map in Europe, has finally got his reward.

Sir Leon's former chief of staff, who is currently the European Commission's deputy ambassador in Washington, has landed the director-generalship for customs union and indirect taxation in Brussels. It is a hot seat.

Last year, Mario Monti, the Italian commissioner, sacked the previous incumbent Peter Wilmott after a row over delays to a new value-added tax regime harmonising EU tax collection. Wilmott supporters – mainly disaffected Brits – blamed the firing on Monti's chief of staff, a toughie by the name of Enzo Moavero Milanesi. Monti supporters claimed Wilmott, who had done the job for five and a half years, was guilty of insubordination.

So how will Currie fare? A bit of a bruiser himself, Currie, who is a Scot, is best known for protecting Sir Leon's exposed flanks when he arrived in 1989 as competition commissioner in the Delors Commission.

He was one of the few chiefs of staff able to stand his ground against Jacques Delors' own heavyweight Pascal Lamy.

By most accounts, Currie has been a popular figure in Washington, even if his campaign last year for the EU ambassadorship was about as realistic as Sir Leon's ambitions to succeed Delors as Commission president.

Currie had also been eyeing the post of EU ambassador in Moscow, but jumped at the chance of a director-generalship.

After all, the weather is better in Brussels – as is the pension.

Chinese walls

■ The shock waves from Lord Young and James Ross's departure from Cable and Wireless continue to reverberate along C&W's superhighway. What, for instance does it mean for Hongkong Telecom, the jewel in Cable and Wireless's crown?

Last week Brian Smith made his first official visit to China in his new role as C&W's chairman. He took along Rod Olsen, his acting chief executive, and Jonathan Solomon, executive director of strategy. Jiang Zemin, China's president, took time to meet them. But where was Linus Cheung, HK Telecom's first Chinese chief executive?

Cheung always went with Lord Young on his visits to the Chinese capital. C&W's excuse is that the Chinese only invited the Brits and anyway Cheung had other commitments. There the matter might have rested but for the fact that Smith's men went to visit Liangtong, China's second largest telecoms operator.

Hongkong Telecom has spent the past decade cultivating the Ministry of Post and Telecommunications, which operates China's only existing telephone network. It also has a number of joint ventures with the MPT. It may have been just a social visit. But the decision not to take along the local executive charged with developing C&W's Chinese strategy, is hardly a ringing vote of confidence in Cheung.

Hard to believe that this sort of oversight would have been allowed to happen when the late Lord Sharp was running things.

Withering?

■ Could Chancellor Kohl be about to lose his longest serving cabinet minister?

Norbert Blüm, Germany's feisty little labour minister, has been tipped the black spot more than once in recent months. But his position has looked increasingly precarious since Bild am Sonntag, the mass circulation Sunday tabloid, declared in its latest edition that he must go. Traditionally, BamS has been one of the most uncritical supporters of "Nobbi" Blüm and Kohl's coalition government.

Nobbi's performance at this week's presentation of the government's 50-point programme for growth and job creation was indeed nothing if not a little lacklustre.

The man's political career has been based on finding ever more ingenious ways of channelling taxpayers' money into Germany's baroque social welfare system. No surprise, then, if he does not exactly relish cutting back in the name of the country's international competitiveness.

At the same time, it would be wrong to write Blüm off just like that. He is a great survivor. Moreover, as the cabinet's most prominent left-winger, he has always been a useful bridge to the trade unions and the opposition Social Democrat party, which governs in a majority of the federal states and hence controls the second chamber of the German parliament. It would be an awkward gap for Kohl to fill.

Deep blue yonder

■ This is no joke, but it is about lawyers.

Back in 1983, the Danish Export Credit Council advanced a DKr175m loan to help finance the export of ships made in Denmark to a Hong Kong owner.

The Danish shipbuilder never received its money, and the council has since tried to get the funds back through legal proceedings. The lawyers' bills are currently running at DKr70m.

So guess who's laughing now.

The Financial Times

50 years ago

Drastic budget cuts in France
M. Philip, French Minister of Finance, told the Finance Commission of the Constituent Assembly to-day that drastic action would have to be taken to meet a huge budgetary deficit. He intends to reduce the deficit by big cuts in military outlays by as much as 50 per cent of the original estimates. He will also curb subsidies to industries. The minister's financial proposals will be submitted to the Assembly about the middle of March.

Rubber price and policy
Undeniably the Malayan grower has a solid case for a sympathetic price policy. The real level of post-war labour costs is still unknown: but it is quite certain that labour is now deficient both in supply and quality as an inevitable result of Japanese occupation, and it is now fully apparent that the price structure in Malaya is decidedly out of hand despite all efforts at control. Even the tenuous store supplies available through official channels are said to be at least double the 1938 price while all other overhead expenses down to shipment are obviously inflated. Against these factors the present price for Malayan rubber in Britain or on the latest deal in the U.S. is only 20 per cent more than in 1938.

FINANCIAL TIMES
Friday February 2 1996

Communists order removal of foreign brand advertising

Vietnam sees signs of 'social evil'

By Jeremy Grant in Hanoi

Vietnamese police yesterday dismantled billboards and painted over advertisements for Sony, Kodak and other foreign goods as the government intensified a campaign against "social evils and cultural poisons".

The owners of a Hanoi convenience store stocking British breakfast cereals and French wine said they had strung a blanket over a "Euro Foods" sign. Other retailers were also prompted to cover or remove signs for imported goods.

The campaign comes ahead of a congress of the Vietnamese Communist party, which has yet to reconcile the benefits of foreign investment with the "evil" influence of foreign culture. Included in what Hanoi calls "social evils" are prostitution, gambling, karaoke and advertising signs with prominent foreign brand names.

Rules passed late last year to enhance the "Vietnamese characteristics" of advertising make clear that English names on billboards must be smaller than Vietnamese lettering.

Billboards are also supposed to display the full name of the company in Vietnamese even though many imported goods are sold by joint ventures with long and complicated names. In northern Vietnam, Coca-Cola is bottled by the Coca-Cola Ngoi Hoi Soft Drinks Co Ltd.

"This is not an anti-foreign campaign," Mr Tran Hoan, the minister of culture, insisted yesterday. "You could see an Australian film last night on television and a foreign ballet group tonight. But we have to fight against immoral things that may cause negative influences."

One poster stuck to the back of a lorry in central Hanoi said: "Protection against poisonous cultural items is the duty of all society." However, Vietnamese officials often have trouble defining negative influences, a fact acknowledged by an article in the official Vietnam News this week.

"What is unclear to the sceptics is what exactly constitutes, in the eyes of the ministry of culture and information, culturally harmful, pirated versions and illegally imported videos." the Vietnam News conceded.

Recent weeks have also seen the mass destruction of videos and the closure of video shops and karaoke parlours, ahead of the official launch of the campaign which has already started to deprive hundreds of small businesses of income.

The Communist party congress, likely to be held in June, is expected to review the economic reforms known as *doi moi*.

Nine years of reform have improved economic conditions, but – as in China – they have provoked conflict within the party over ideological purity and the protection of national identity. One focus of debate is expected to be the role of foreign investment in the country's development.

Some diplomats say the anti-western posturing by top Communist officials is a crude form of electioneering ahead of the congress, at which leadership posts are likely to be contested.

Russia agrees summit with Ukraine

Primakov sends goodwill message to Kiev

By Matthew Kaminski in Kiev and Bruce Clark in London

Russia and Ukraine yesterday sought to paper over the deep divisions in their relationship, at top-level talks between Mr Yevgeny Primakov, Moscow's new foreign minister, and Mr Leonid Kuchma, Ukrainian president.

In an apparent gesture of goodwill to Kiev, Mr Primakov confirmed the sacking of Admiral Eduard Baltin, the hard-line Russian nationalist commander of the Black Sea fleet.

At the same time, he announced that a long-postponed summit between Mr Kuchma and Mr Boris Yeltsin, the Russian leader, would be held on April 4, subject to final agreement on the division of the ageing 300-ship Black Sea fleet.

However, the two sides failed to bridge the gap between them on some fundamental issues, including the enlargement of the Nato alliance, and the closer integration of Ukraine into the Russian-dominated Commonwealth of Independent States.

The sacking of Admiral Baltin had been heralded two weeks ago by Mr Kuchma, but fiercely resisted by Russian nationalists in Moscow. Its confirmation is seen as a move to clear the way for the planned summit.

That meeting has been put off at least five times since late 1994, mostly because of disagreement over the Black Sea fleet, which is based at Sevastopol in Crimea.

Mr Primakov said he had been mandated by Mr Yeltsin to seek closer ties with the other ex-Soviet republics.

"My instructions are to give priority to relations with the Commonwealth of Independent States," he said after his talks with the Ukrainian government which has resisted Russian proposals for closer integration of the CIS.

The Russian minister also pledged that a long-awaited Russian-Ukrainian friendship treaty would be signed at the April meeting, but he admitted that little progress had been made towards solving some bilateral issues.

He stressed that he recognised Ukraine's independence, but deplored the fact that some of its representatives had opposed Russia's admission to the Council of Europe last month. Mr Primakov said the proposed enlargement of Nato threatened Russian interests, while his Ukrainian counterpart, Mr Hennady Udovenko, said Ukraine would not oppose an "evolutionary expansion".

Observers in Kiev said Ukraine was torn between nervousness over Moscow's recent hardline policy signals, and its hope that Mr Yeltsin, rather than his communist or nationalist rivals, wins the June presidential elections.

Camdessus visit raises Russia's hopes of loan, Page 2

Seychelles condemned over 'money launderers' charter'

By George Graham, Banking Correspondent

International law enforcement officials yesterday publicly denounced the Seychelles government for a new law which they describe as a money launderers' charter.

The Financial Action Task Force, which includes officials from 26 nations, as well as the European Commission, said the new rules, supposedly intended to foster investment, "pose a serious threat to the integrity of the world's financial systems".

Under the new Seychelles Economic Development Act introduced last November, investors pumping at least $10m into the Indian Ocean islands may obtain immunity from prosecution for all criminal offences.

They are also offered protection against seizure of their assets, unless they have committed acts of violence or drug trafficking in the Seychelles. They may even get Seychelles diplomatic passports.

Mr Ronald Noble, undersecretary for enforcement at the US Treasury and president of the taskforce, said the law allowed drug traffickers and other criminals to enjoy their spoils "secure in the knowledge that the Seychelles authorities will protect them.

"The clear design of the Seychelles law is to attract capital by permitting international criminal enterprises to shelter both themselves and their illicitly-gained wealth from pursuit by legal authorities," Mr Noble said.

Although the island remains a popular destination, tourism receipts have been hurt by an overvalued exchange rate.

The economy is expected to grow by only 0.5 per cent this year. Foreign exchange is scarce – especially after the closure of a US space tracking station, which was the Seychelles' third biggest source of hard currency.

The Seychelles finance ministry could not be contacted yesterday. Previously the government has insisted that its economic development act would not provide a haven for criminals, because all investment applications would be carefully vetted by a board headed by President France-Albert René.

But the Seychelles government's efforts to attract foreign capital could backfire. The condemnation from the Paris-based financial action taskforce carries with it a recommendation that financial institutions around the world should scrutinise more closely any links they may have with companies or banks in the islands.

"When transactions have no apparent economic or visible lawful purpose, the institutions should, to the greatest extent possible, provide all available assistance to authorities investigating such persons," the taskforce said.

Index decline points to weakeness

Continued from Page 1

interest rates by a quarter point to 5.25 per cent. It was the third cut since the Fed began to ease monetary policy last July. Many economists say short-term rates could fall as low as 4.5 per cent by this summer.

The purchasing index – which usually provides an accurate guide to the economy's cyclical health – has weakened steadily since late 1994 when it stood at 59 per cent. It fell to 52 per cent last spring and 46 per cent by the end of last year. Most economists expected the index to remain stable at about 46 per cent last month.

The most recent downward lurch reflects a sharp decline in the index of new orders to 41.6 per cent, the lowest level since February 1991. Export orders – previously a source of strength for US manufacturers – also dropped sharply, indicating weak economies overseas.

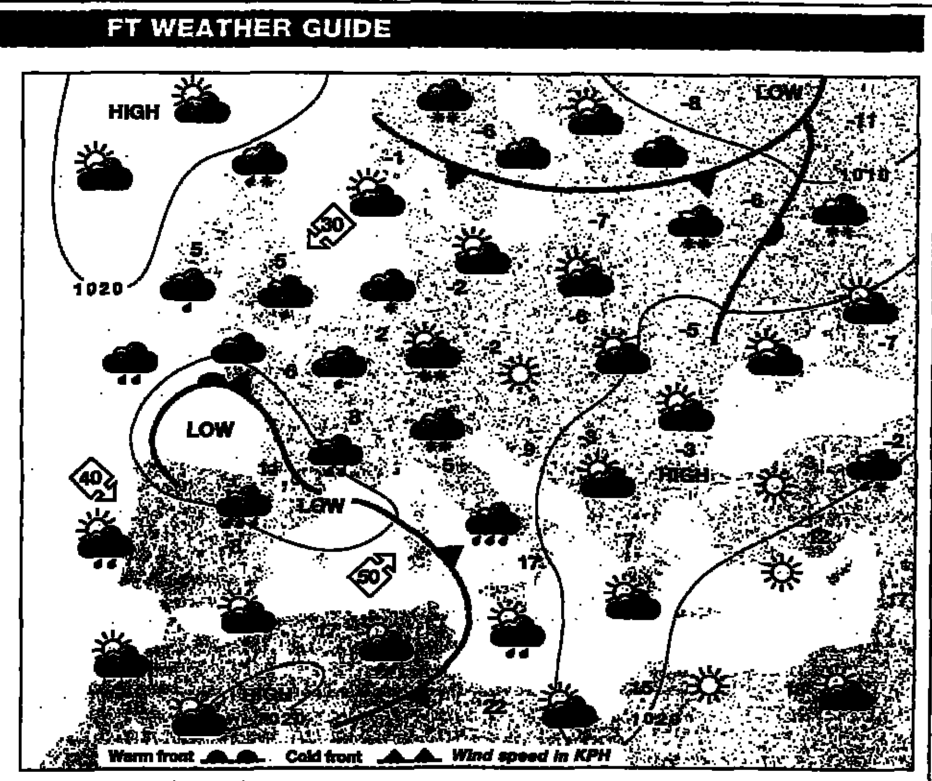
FT WEATHER GUIDE

Europe today

Conditions in western parts of the continent will change as a disturbance moves north. Cloud will increase and southern parts of the Benelux and most of Germany will have patches of snow. Northern France will have some rain, with heavier falls in the south-east. Cloud will increase in Italy and rain will arrive. The Alpine countries will have rain which will fall as snow on higher ground. Showers will linger over Spain and Portugal. There will be plenty of sun in a zone from Hungary to western Turkey. Cloud will increase along the Adriatic coast and in Greece but sunny periods will prevail. Russia will be mostly cloudy with light snow.

Five-day forecast

The Benelux and Germany will remain rather cold with occasional snow during the weekend. It will turn dry and cloud will decrease. The UK will be rather cloudy with intermittent rain in some areas. After the weekend, more cloud and rain will arrive from the west. Higher elevations of the Alps will have more snow. Italy and the Balkans will remain unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

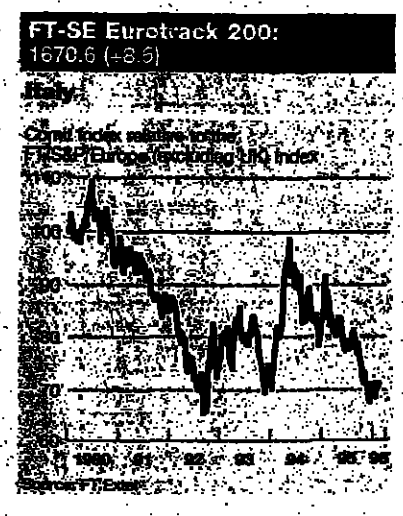
TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	22
Accra	fair	32
Algiers	fair	17
Amsterdam	fair	1
Athens	fair	10
Atlanta	cloudy	8
B. Aires	cloudy	29
B.ham	drzzl	1
Bangkok	fair	32
Barcelona	rain	14
Beijing	sun	3
Belfast	shower	2
Belgrade	sun	0
Berlin	fair	-4
Bermuda	fair	22
Bogota	fair	17
Bombay	sun	32
Brussels	cloudy	2
Budapest	sun	-3
C.hagen	snow	-4
Cairo	cloudy	18
Cape Town	sun	25
Caracas	fair	30
Cardiff	cloudy	2
Casablanca	fair	16
Chicago	fair	-18
Cologne	snow	1
Dakar	sun	15
Dallas	snow	-4
Delhi	fair	25
Dubai	sun	22
Dublin	shower	3
Dubrovnik	fair	12
Edinburgh	drzzl	3
Faro	shower	15
Frankfurt	cloudy	1
Geneva	rain	6
Gibraltar	shower	15
Glasgow	drzzl	2
Hamburg	fair	-5
Helsinki	fair	-8
Hong Kong	sun	20
Honolulu	fair	27
Istanbul	sun	4
Jakarta	rain	30
Jersey	drzzl	3
Karachi	sun	26
Kuwait	sun	20
L. Angeles	sun	17
Las Palmas	shower	20
Lima	fair	28
Lisbon	shower	13
London	cloudy	5
Lux.bourg	snow	2
Lyon	rain	7
Madeira	shower	17
Madrid	rain	9
Majorca	shower	15
Malta	rain	17
Manchester	drzzl	2
Manila	cloudy	30
Melbourne	cloudy	22
Mexico City	sun	21
Miami	fair	28
Milan	rain	4
Montreal	snow	-15
Moscow	snow	-5
Munich	cloudy	2
Nairobi	fair	28
Naples	rain	13
Nassau	fair	27
New York	snow	2
Nice	rain	13
Nicosia	sun	13
Oslo	cloudy	-7
Paris	cloudy	7
Perth	sun	32
Prague	fair	-7
Rangoon	sun	34
Reykjavik	cloudy	2
Rio	sun	30
Rome	cloudy	14
S. Frsco	sun	12
Seoul	sun	0
Singapore	rain	29
Stockholm	cloudy	-4
Strasbourg	sleet	3
Sydney	fair	31
Tangier	shower	16
Tel Aviv	shower	18
Tokyo	fair	5
Toronto	fair	-9
Vancouver	sun	3
Venice	cloudy	6
Vienna	fair	-6
Warsaw	sun	-7
Washington	Ice	1
Wellington	shower	21
Winnipeg	sun	-30
Zurich	sleet	3

THE LEX COLUMN

Italy's Mr Fix-it

Mr Antonio Maccanico, Italy's 55th post-war prime minister, will need to live up to his nickname, "the mechanic", if he is to complete the political reforms promised by his proposed government. Renowned as a political Mr Fix-it and with the advantage of neutrality, Mr Maccanico looks an astute choice. Mr Lamberto Dini, his predecessor, was a banker who achieved a programme of financial reforms. With the focus now on revising the constitution and the electoral system, it became necessary to call in someone with a political background.



The market's buoyant response to Mr Maccanico's appointment is not surprising. Given a slowing economy, and a spate of rate cuts elsewhere in Europe, there has been ample scope for the Bank of Italy to ease monetary conditions, but this was difficult without a more stable government. Interest rate cuts would boost a recovery in Italy's stock market, which has a strong correlation with interest rates, given the concentration of banking and insurance stocks. Moreover, the unsettled political situation has held back shares, which are significantly cheaper than the historic average.

Some discount should remain. Mr Maccanico's political reforms may offer the key to decisive elections and a government that can take the unpopular steps necessary to reduce Italy's debt. But with the political parties split over the direction of the constitutional reforms, Mr Maccanico still faces many obstacles.

European interest rates

The Bundesbank's latest reduction in the repo rate, which was fixed for two weeks yesterday, carries a dual message: there is further monetary easing to come, but not right now. The signal that the pace of rate cuts is slowing should help bring expectations under control while leaving plenty of scope for bonds to rally, given the sluggish economy and low inflation. A further discount rate cut yesterday would have been uncharacteristically hasty for the Bundesbank, which last moved the rate on December 14. But the fixing of the repo rate at just 30 basis points above the discount rate means the next downward adjustment is likely to be to the discount rate – though probably not until the Bundesbank has scrutinised the next set of money supply data at the end of February.

In the meantime, the expectation of further cuts should help support the upward momentum of continental European bond markets, which benefited from yesterday's wave of cuts. But, while the French authorities may have some scope for unilateral action, this is limited by their concern for the franc. Since the Bundesbank will continue to set the pace, the bund market remains the most obvious choice for investors. The only reason to venture further afield is to pick up higher yields in Italy and Spain, where rate cuts are also expected. But UK gilts, with political worries still lurking, fall between two stools, offering neither high yields nor core market status.

Trade Indemnity/SFAC

Trade Indemnity's long-suffering shareholders – most of them big insurers – must be relieved. For years they have patiently put up with an investment which has been patchy and illiquid. Yesterday's agreed bid from SFAC, the French trade credit insurer, offers them a way out – at a respectable price. Twelve times this year's earnings, at this point in the cycle and for a company which underwrites potentially horrendous risks, is not to be sniffed at.

Whether the deal makes sense for SFAC is much less clear. There is some benefit in putting the two companies together: SFAC's dominance of the French market should, for instance, give TI an edge when pricing risks for UK exports into France. But the obvious synergy – using TI's database and skills to sell export credit insurance to SFAC's vast French customer base – has been ruled out for the moment. This is understandable; it would mean invading the territory of Coface, France's dominant export credit insurer. And AGF, the French state-owned insurance group, controls just under 50 per cent of both SFAC and Coface. But Coface will not have access to TI's database either; the two companies will remain competitors. From AGF's point of view, this is a nonsense.

Repsol

Spain's government had a remarkable opportunity, and it has flunked it. Its offering of 11 per cent of Repsol is vastly oversubscribed, and the share price has risen sharply in recent days. The government could easily have chosen to increase the size of the offering and sell all its shares in the oil company. Instead it stubbornly intends to hang on to 10 per cent.

Only sentiment and ideology are holding the government back. But it is not much of an ideology that allows the private sector to own 90 per cent but not 100 per cent. If influence over Repsol is what the government wants, it is its golden share and regulation, not the residual stake, which matter. In reality, the sole result of the government's decision will be to hold back Repsol's share price; the market will inevitably, and plausibly, expect the shares to be sold next time the government needs the money.

UK biotechnology

Yesterday's 24 per cent drop in Celltech's share price has injected some much-needed realism into the UK biotechnology sector. Stock market valuations had run far ahead of progress in the laboratory. Even now, Celltech's share price is above the level of late December and has more than doubled during the past year.

Investors had forgotten that most biotechnology drugs are expected to fail. The success rate for compounds in early clinical trials – the stage at which Celltech's asthma treatment has been abandoned – is about 30 per cent. In fact, Celltech has the most diversified portfolio of any of the UK biotechnology companies, with drugs in development for septic shock, leukaemia and arthritis. It has also been adept at conserving cash by collaborating with big pharmaceutical companies. If a similar problem occurred at one of its rivals, the shock waves would be much more severe.

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